

Briefing

Interview

Chris Emerson

Bryan Cave's practice economics group director on creating its very own software to crack the pricing and project management conundrum

PRICING AND PROFITABILITY

SEPTEMBER 2014

Feature

Pricing, refined

Law firm business development is at the forefront of modelling new approaches to client value to keep the hungry young competitors at bay

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Price and prejudice



When we covered pricing and profitability in September 2013, I wrote that it had been one of the hardest issues of Briefing to put together, ever. That

was because pricing is a sensitive topic in many UK firms. So this year, we asked a top US law firm to tell us how it's done.

Chris Emerson, our keynote interviewee this month, helped us understand exactly what his firm's been up to – and even gave us a helpful map of how to make a great pricing team. Just before this issue went to press, Bryan Cave won an ILTA award for most innovative firm. So I guess we chose right.

We also delve this issue into how UK/ international firms are thinking about pricing, project management and value, speaking with leaders at Baker & McKenzie, Clifford Chance, Herbert Smith Freehills and Mishcon de Reya, pricing guru Bruce MacEwen, and GC-level contacts at Dell and Symantec.

In our ever-useful sponsored editorial this month we have wise words from issue sponsor Thomson Reuters Elite and others covering business intelligence, BD information, pricing developments and hiring.

Should you or your firm be in **Briefing**? Email me at rupertw@lsn.co.uk – we want your input.

Rupert White, editor of Briefing
rupertw@lsn.co.uk

Interview: Chris Emerson, Bryan Cave



Client appetite for AFAs gave birth to Bryan Cave's practice economics group. Rupert White interviews its leader about building a pricing team and how his firm wins and keeps more business

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Feature: Refining the pricing formula



Firms are growing increasingly sophisticated at pricing their work. Declan Tan casts his net wide to find out the state of the art in pricing inside the country's top firms

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Briefing jobs



Two senior roles in legal business management with Briefing jobs

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Why business development needs business data



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Giles Taylor at Leighton Taylor on making the most of a buoyant recruitment market – and the smart moves when it comes to the best people **page 29**

Analysis: CRM matters now more than ever

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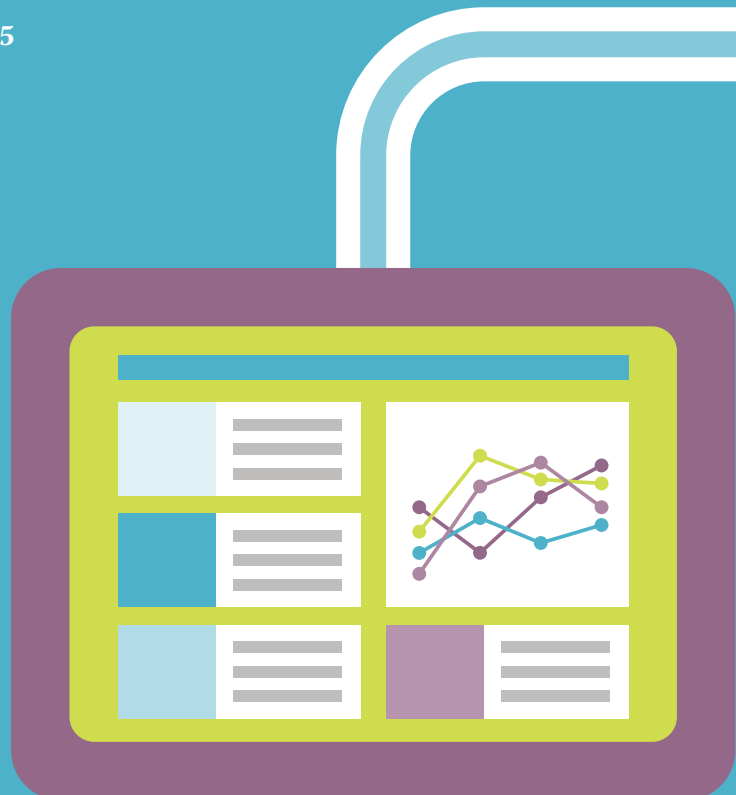
Analysis: Facing the profit challenge

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Photography on p35 by
Jonathan Goldberg:
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The Briefing Interview

Pricing progress

Bryan Cave's practice economics group director Chris Emerson talks to Briefing about setting up and running a pricing team, project management, fixed fees, AFAs and why pricing people are a client's real best friend

Words: Rupert White

Photography: Dustin Kessler, St Louis, Missouri

Cast your mind back to the heady days prior to the banking crisis and recession. Hot and cold running revenue, clients who'd pay whatever hourly bills got passed across the lunch table, and only the barest care for the idea of profitability – because that just happened, right?

Back in 2007, US Am Law top 50 firm Bryan Cave started seeing an increasing number of requests for fixed fees and other 'different' ways of delivering work. That was a sign of things to come. Pre-crash, clients had already started to morph into the creatures they have now become.

Chris Emerson was, at that time, a web initiatives manager in the firm's client technology group, a self-described 'skunk works' for legal IT. Emerson was a software developer who re-routed into business via business school. He'd written the firm's internal financial dashboard, financial warehouse and cost allocation system, as well as pricing and staffing tools – during which he amassed knowledge of how to link profitability to legal work, and help lawyers understand the idea. He learned how to understand the underlying mechanics of law firm accounting – which gave him a seat at the big table when the firm started to receive AFA requests in earnest.

Fortuitously, the business intelligence (BI) and pricing tools the technology team had created in the early 2000s had components for fixed fees and fixed fee by phase. Then the task became risk analysis – how much of a safety net do you need in a fixed fee, how wrong can you be in an estimation. "We won a number of those early RFPs, and often they were priced rather aggressively. [But] it became very obvious that getting the price right and [winning] the work was not the end of the story – you needed to develop reporting and alerting and tools to help that client team manage to the arrangement."

In the years that followed, the call for AFAs by clients and prospects just kept on coming. Emerson's team was increasingly devoted to just financials and pricing, and by mid-2010 "it was pretty clear where the market was going in terms of demanding either alternative fees pricing or budgeting". Bryan Cave needed to focus more effort on pricing. That laid the ground for the creation of the practice economics group (PEG) – grown from the original team of three to a 15-person unit, headed by Emerson.

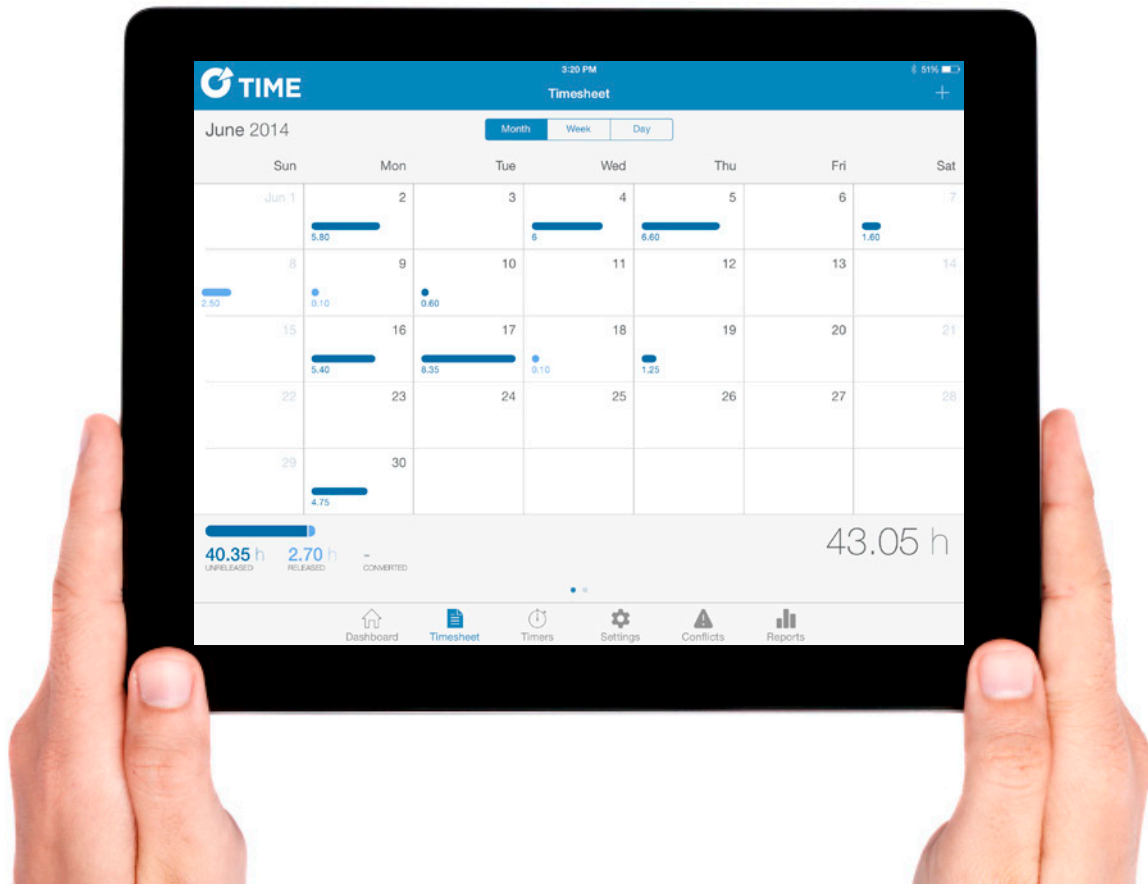
The PEG delivers deep price and cost analysis, project management and 'situational analysis' capability within the firm, says Emerson, collecting the data and knowledge on past and future to turn what are, in many firms, all too often ad hoc pricing decisions into "the best strategic decisions on how to manage the different arrangements [we've offered]". The PEG is, in effect, three teams in one: a pricing team, a legal project management team, and a technology team. The pricing team works in the shorter-term, handling all short-term requests such as budgets, pricing requests, and RFP responses. The pricing team also gets involved with clients directly to discuss pricing goals, reporting needs, and RFP interviews.

The technology team creates pricing tools, maintains the firm's financial warehouse and cost allocation processes, develops and maintains the financial dashboard, develops and maintains the pricing experience database, assembles internal and client reporting, and helps with client workflow applications – driving efficiency, and value, to the client.

For longer-term work, the legal project management team will more likely be involved, working on budgeting and "ongoing pricing that is going to continue to occur through the life of the relationship".

"Maybe there's quarterly or annual budgeting, maybe it is life of matter and we get

Time for Better Time Entry



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paid some chunk of it at the beginning and at the end – but there’s still a pricing element the team works on. Beyond that, they are setting up much more detailed reports, implementing either standard or very detailed tasks to help facilitate the reporting analysis and insight [for client teams] and often they’re working with technology groups to create workflows.” The LPM team can also be involved in document assembly projects, but they are really into “identifying ways to make the work as efficient as possible and to achieve transparency, not just for the firm but also for the clients”.

This means being involved in setting up the client report, building relationships with in-house teams and often being the first people the client or client team call with a need, project or problem.

This can mean working much more like a consulting business than a law firm. Emerson tells one story about a Bryan Cave project manager seconded to a client location “to help them get their arms around their prior legal spend” – not just Bryan Cave’s work, but all the firms they were using. The client wanted to issue an RFP and consolidate the number of law firms they were using for a certain type of work, he says – so Bryan Cave gave the client an LPM expert who “cleaned up their systems, created reporting tools and helped write the first draft of the RFP, leveraging the fact that we had seen as many [RFPs] as we have, and so could avoid many of the common pitfalls we see”. In the end, Bryan Cave didn’t win that piece of work, but while it lost a battle, it’s winning the war – it delivered great value to the client in making sure it got the best deal, which is worth more in the long run than a single RFP.

“That’s the philosophy we have. In that case we essentially provided the LPM person on secondment at no charge. It was a pure value-

add to that client relationship. It’s all about building the long-term relationship. You’re always looking for those kinds of opportunities to add value.”

“Law has always been relationship-driven, but what I don’t think people appreciated [even] three years ago is that the pricing and project management role is equally about building relationships with our clients and looking to make long-term commitments. We are always looking for what the client needs.

“This isn’t a one-time exercise with the client. We want to be paying attention constantly and looking for opportunities to address whatever it is they need to do.”

Forty flavours of fixed fees

It’s still the case that, for most firms, alternative fees means fixed fees; the more exotic AFAs still belong mainly in the lab. But within the Venn set of fixed fee there is huge variation, says Emerson – enough to cover most needs, and enough to provide firms with great incentives and risks, should they wish to take them.

More importantly, Emerson says that Bryan Cave is now seeing demand for AFAs across almost every area of legal business.

“I would struggle to come up with an area of law that isn’t subject to some level of price sensitivity or desire for AFAs or budgeting. Anywhere you can begin to develop a plan around the legal work you’re going to do, there is an opportunity to create some sort of an alternative fee structure. I fundamentally believe that, [though] not every client is going to want them.

“[It’s true that] what the market is demanding is predominantly some flavour of a fixed fee [but] there are a lot of different permutations. It seems like there are dozens

of permutations depending upon which legal process [is in play].” Emerson cites an example of multi-phased work where a component would be a fixed fee but another piece may be done on a partial contingency. But the same methodology can be applied almost anywhere. “Law firms provide a lot of general advice. Often on those the client will want some sort of retainer or monthly fixed fee. Then you can put a collar around it to really protect both sides. Within fixed fees you see a lot of variation, and collared fixed fees start to give you that variation. Probably 90% of all alternative fees seem to be some flavour of a fixed fee, [but] there’s a lot of flavour in there.”

This may be why almost every big US law firm now has a pricing director, or someone equivalently named (such as Emerson). Barely a handful of UK international or top 100 UK firms do. That might in turn be a reflection of the clients those two groups of firms have, and their specific needs. Sarbanes-Oxley, e-billing, a growth in the power of procurement people, massive data flows with unlimited discovery and a real push for project and process management methods all arguably weigh far more heavily on US firms than on their UK cousins.

But the disparity in demand for AFAs on both sides of the pond is far less pronounced, says Emerson, and, while the pricing director

role doesn’t fully exist here (yet), US firms that have UK footprints are helping to make that change. Plus there is some small pool of extant pricing talent. Things are moving.

The value that the pricing director brings is huge, says Emerson, because with it comes infrastructure and the capability to help you



“Within fixed fees you see a lot of variation. Probably 90% of all alternative fees seem to be some flavour of a fixed fee, [but] there’s a lot of flavour in there.”

Chris Emerson, director, practice economics group,
Bryan Cave

figure out a price, identify how much risk to take and understand the cost of delivery based on past work. “The value [of the pricing director] is really clear, because how much time does an individual partner or lawyer at any given firm have to be able to dedicate to that?”

People like Emerson also help instil a project

management capability and ethos, something that is very definitely happening in the UK. Emerson's team is building UK-side capability for "document assembly and automation to make processes more efficient under fixed fees", he says, plus "detailed past coding and alerting, so people know when budgets are blown".

This capability has now become essential

"In a legal market that is generally not growing, or not growing fast, if you say 'We'll do it hourly and do it at a 20% discount,' then you've removed a lot of tools from your tool belt."

to all legal businesses, and we've a lot to learn from the Yank firms. As Stuart Hopper (KM director for Baker & McKenzie's M&A unit) said in July's Briefing, the market is moving from a 'price to scope' position towards one where firms are now scoping to price. Emerson agrees, and says it's essential that law firms learn the arts of projects, process and pricing to preserve their profitability. Otherwise a firm is creating its own downfall. It's an essential element in good pricing.

"In a legal market that is generally not growing, or not growing fast, if you say 'We'll do it hourly and do it at a 20% discount,' then you've removed a lot of tools from your tool belt." The discounting model, says Emerson, just means a firm has to look to the next client

it can claw that 20% back from. As we know, this chain can go on for some time without clawing anything back.

"But if you can appropriately scope the work, wrap it in to a fixed fee and get it done ... You've got to have the infrastructure to be able to do this, but through process improvement, knowledge management and the optimisation you are (ideally) continually going through, you can figure out how to get it done cheaper, and pass those savings on to the client without negatively impacting profitability. You start to have a package that is easier to promote to other clients, and you can get more market share."

And the shift towards Emerson's world seems inevitable, even imminent. It has tended to be the biggest companies and financial institutions (in the US, at least) driving the move towards more project management and different pricing deals, but the recession is the main driver behind them, he says.

This has developed further still – now, he says, the heads of legal and the COOs in institutions are sharing what's working with each other using platforms such as the Association of Corporate Counsel. This is causing a trickle-down effect in smaller businesses as they learn how big companies have forced change in law firms, and smaller businesses are, says Emerson, just inherently more distrustful of firms' fees. This might backfire, of course – smaller companies may not understand that, more often than not, you get what you pay for.

Tools of the pricing trade

A lot of the talk around pricing and matter

analysis devolves to talking about tools. We do it in **Briefing** a fair bit (rightly, we'd argue), because software is at the heart of being able to slice and dice work to understand what it's likely to cost you to do – plus it can help to risk analyse work and to fundamentally influence whether you deliver the work according to the price you pitched, as well as how cheaply that work can be delivered.

But while Emerson would agree with that assessment, tools alone can't do the most important things firms need to do to get more innovative with pricing – to be flexible and usable by the people that deliver the work. "There are a number of tools out there but they are often pattern-based – if you have a blended rate, this is a screen you fill out; if you have a fixed fee, this is the screen you fill out. When you have a problem statement that fits within the pattern, they can work for you fairly well.

"But clients are all over the place in what they are trying to achieve [with AFAs right now]. You need to be able to be flexible in answering their needs."

Bryan Cave has been one of the exceptional US firms in using the kind of tools that make better pricing possible – business intelligence – because it has been using a home-grown BI system for almost 13 years. (When we last polled US firms about their use of BI, back in 2011, for example, significantly fewer of the big US firms used BI than their UK cousins did.)

The ability to pull data from every enterprise system in the firm and combine it and do analysis and understand the answers is the key capability Emerson and his team have brought to the firm, he says, and to do that the firm has needed "a strong technical capability within the pricing and project management department". The key to this lies not just in setting up the infrastructure, the databases, he says (though that is incredibly important), but in being able to do the analysis and pull data out of

the system.

"Having the ability very quickly [to mine for data that's not 'stock' reports] and not need to send a request off to IT or accounting, but to be able to act on it immediately because you have the talent and capability inside your group, makes you so much more nimble in response. I think that's critical."

This capability is fully leveraged by the PEG, and you can only do this with great BI tools, but to make it work for the whole firm you need everyone to use BI-style tools. That means taking a more radical step to ensure that mortals – lawyers – actually use the tools, too. "We've achieved [great] levels of adoption – 86% of our partners use our financial dashboard every year, and we also have [other] ranks using it, the associate ranks and the paralegals. There is actionable information there for all of them, and they use it regularly."

The reason that perhaps BI tools and other analysis solutions haven't penetrated so deeply into legal, says Emerson, might be because they are designed for people like him – not lawyers. "That's where current tools missed the mark entirely. They were written for the accounting department or the marketing department, not for lawyers." As IT vendors now focus much more on user experience and user interfaces, things will change.

But despite a lot of show and tell by the big legal IT vendors about new or upcoming integrated solutions incorporating project management, pricing and billing (aka matter management plus practice management, really), Emerson says firms are still potentially years away from solutions that will be as good as the internal systems firms like Bryan Cave built for themselves.

"[Third-party solutions] are in their infancy. In terms of an end-to-end project management suite that also encompasses pricing and

budgeting, we are still five years away from having something really usable – and that’s without delivery to the client.”

Emerson’s team has created software so good they’ve licensed it to others to resell on their behalf, he says. “There’s any number of pieces of technology we have today I can’t talk

about [but] that we’re using internally that we are actively discussing licensing out, because it is significantly further along than anything else in the market.”

So, if your firm needs a really great project management tool, perhaps Emerson is the man to call, rather than a software company... ●

How to build an awesome pricing team

Just before we went to press, Bryan Cave walked out of the International Legal Technology conference in the US holding a clutch of awards, including the coveted ‘innovative law firm of the year’ award. Want to get some of that innovation juice for your firm around pricing, project management and profitability? Read on...

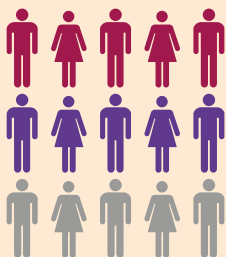
“We have two more lawyers taking their project management exams before the end of the year,” says Emerson, “and we are shifting to a model where we train and engage people on the client team [in project management] as there are not enough people in the unit to handle demand.”

Bryan Cave cross-trains its pricing and legal project management teams to handle peak volume periods, says Emerson, and the lines continue to blur between those groups, he says, as the adoption of LPM continues to gain traction across all practice areas.

“Our success is because we have a fantastic team of very talented people that work very well together and have tremendous support and buy-in from the firm. We deliberately got the right people on the bus from the start.

“Many [US] firms have a pricing director, but their effectiveness is definitely a function of the strength of their team.”

Practice economics group, by function



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Feature

Refining the pricing formula



How well does your firm price its work, both in terms of attractiveness to clients and to the CFO's keen eye on profit margins? Declan Tan casts his net wide to find out the state of the art in pricing inside the top law firms, and finds an industry rapidly learning the lessons of pricing, profitability and project management

You might not think it reading the comments in a recent and fiery online donnybrook on the Lawyer's website after it reported that some top 60 marketing heads earn up to £477K a year, but, as the subsequent opinion pieces noted, the perception of law firm BD is in transition. Increasingly, it lays claim to being a credible driver of revenue – no longer a seemingly large and unwanted cost to the business.

Value is at the forefront, for all concerned. In a still-water market, with the threat of non-traditional legal services providers growing and LPOs jumping the lunch line more greedily each quarter, firms are building more predictable and sustainable profit generation into their business models. Clients' buying skills are outgunning, in many cases, lawyers' selling skills. Legal businesses need strong BD as the springboard to fight back.

So, BD departments are ramping up the value proposition for clients and their own firms alike. But what will it take to get the partners on board?

Pricing, for one, is an area galvanising real operational change, but moving away from the old cost-plus model means reworking the current structures. As US-based legal strategy and economics consultant Bruce MacEwen puts it, the problem is structural, but many cling to the hope that it's merely cyclical.

"Traditional firms will have to be dragged kicking and screaming into alternative pricing models – thinking in terms of project management, managing to a fixed fee, business process optimisation, and budgeting. The only thing that will convince them is if they see competitors getting a leg up by embracing those practices."

Firms can't afford complacency when, on top of those known competitors is the fast-growing market of LPO, as well as new entrants capitalising on shifting client needs.

According to Benedikte Leroy, VP EMEA legal counsel at Dell, the proportion of her external work going to alternative providers has steadily increased, to form the majority it is now. Dell approaches external providers differently as clients now, she says, so law firms must respond in kind.

"We need external counsel to be almost part of our department – we believe enduring relationships are really important. We go out to tender on at least a bi-yearly basis, because our philosophy is that we don't use more than two law firms in any given jurisdiction. We survey the market and choose two firms, so that there's always competition."

In this scenario, how firms price – and demonstrate value – is paramount. Pricing and value are inextricably linked, says Stuart Dodds, director of global pricing and legal process management at Baker & McKenzie, and firms are pivoting toward that change.

"Pricing roles are now becoming not just a pricing activity – it's now pricing and project management, or it's pricing and value analysis. You can't do one without the other. You can spend lots of time pricing something and say it's going to be a fixed fee – that it's going to be £100 – but unless you can deliver it for £100, you're potentially wasting your time, because ultimately you may not be profitable and meet your client's expectations on value."

MacEwen says that firms of the future will be differentiated on excellence and predictability of service delivery, "such that clients recognise unquestioned 'value'". "The single most important criterion clients are seeking is always and everywhere 'value'. Law firms can deliver value at any point on the price spectrum, from 'money is no object' at the top to 'commodity/purchasing department criteria' at the bottom."

A lax approach to pricing has potentially grave implications for a provider's quality of

service. Leroy has a painful recent example, in which one firm offered to work for what Dell decided was “reasonably competitive”. “The service we got was appalling, because they weren’t interested in understanding our business. If we get the lowest price on an hourly basis, they’re not going to put their top lawyers on it. We can pressure them into pricing at more or less nothing, but we get very little in return.”

For every firm, the golden triangle of setting, getting and keeping the price means winning the work at a sustainable profit level. For Karim Klaus Emara, chief marketing officer and global head of business development at Clifford Chance, addressing the cost-price balance means passing the four acid tests at his firm: revenue, reputation, risk and cost.

“For cost, the question is: ‘Are we doing the right things for the right fee?’, then profitability comes out of that.

“We’ve had a pricing group in place for many years, and that group does two things. First, it works collaboratively to ensure that, in an ever-complex market environment, we find the right solution for our clients. Second, our pricing group ensures that on major panel appointments, for example, we do the due diligence around some of the pricing that clients request and set thresholds on the level of adjustment we’re willing to make. Most importantly, no mandate should ever be worth risking the firm’s reputation.

“Discounting is typically driven by the client,

so as part of a panel renewal process a client might be asking for a certain number. We have the systemic rigor in place, both through people and the systems to run the numbers, and apply those theoretical discounts on the work we have done with these clients over the last three years. Is that the level of profitability that we need? If not, could we go back to



“If we get the lowest price on an hourly basis, [firms] are not going to put their top lawyers on it. We can pressure them into pricing at more or less nothing, but we get very little in return.”

Benedikte Leroy, VP EMEA legal counsel, Dell

the client agreeing to the discounts – on the condition they will only kick in after a certain threshold, for example?

“Modelling a variety of scenarios and finding the best way to make the client happy has to balance against enabling profitable revenue for the firm. Anybody can sell a £10 note for

nine pounds.”

Selling a tenner for £11 instead brings us back to value perception. MacEwen agrees: “Value isn’t synonymous with cheap in my book. If it’s to your taste, you can get value out of a Cartier necklace, which isn’t cheap, just as you can get value out of a pint at the local pub,



“Some estimates see 80% year-on-year compound annual growth for the LPO market.”

Bruce MacEwen, president, Adam Smith, Esq.

which is cheap. A magic circle firm advising on a critical cross-border transaction can get you value, just as an LPO doing e-discovery can.”

For Emara, various forms of AFA are already prevalent throughout the industry. An understanding of profit drivers is less

widespread. “My bet is that in any law firm, including Clifford Chance, most of what we do is an alternative fee arrangement. Very rarely do we still do the pure hourly rate. There is always going to be some kind of cap or fixed fee involved. Then there are innovative deals like we’re doing with the Pfizer legal alliance,

where 19 firms operating on a flat fee structure handle nearly 75% of all of Pfizer’s global work.”

Ian Gilbert, head of research and pricing at Herbert Smith Freehills, agrees it’s unusual to see any practice area that doesn’t have AFAs up and running already. “We very much see it as the norm, not a change. That change has happened. What’s important for us is doing what we can to uncover the value and align the pricing to that value, making that clear in the client’s eyes.”

Finding the alternatives

If firms aren’t getting closer to communicating value, those alt-law businesses making noise will, and that will see their stock rise and rise. Current estimates put the LPO market at £1.5bn globally, and growing rapidly. “Some estimates see 80% year-on-year compound annual growth for the LPO market”, says MacEwen. “[But] it’s a relatively tiny market share if you compare it to the traditional legal services market’s total value. They are certainly not perceived as a threat. That may be right or wrong, but it’s the way lawyers think.”

But from the client’s perspective, says Leroy, a lot of outside work is bypassing the old routes. “Lawyers On Demand (LOD) [owned

Diversity pays

No matter how great you are at pricing and pitching, failing on diversity can have an increasingly serious impact on your firm's ability to win business

As clients seek more balance in gender, race and age in their outside counsel, reflecting their own workforce, Emara says firms need to do more than “pay lip service” to diversity.

“Whether in a pitch situation or in a relationship team, matching our team to the client’s is as much about personal and professional fit as it is about diversity in action.”

Leroy at Dell says diversity plays a role in tenders. “We have a Dell award for the promotion of diversity at law firms, so it’s something we delve into and spend a lot of time on internally and something we’re trying to bring to all of our vendors.”

Carolyn Herzog, VP, legal at Symantec, agrees emphatically. “I seek counsel that will bring a diverse perspective and intentionally include introducing me to a diverse panel of experts who can meet my needs. Diversity rarely happens by accident, and I immediately notice if gender diversity, in particular, is not top of mind for any firm that I hire. This includes diversity for gender, age, race and experience.”

MacEwen says there are numerous benefits to that wider net. “I’m a huge believer in diversity, and not necessarily just because I think it’s the right thing to do – that’s never reliable for getting people to change their behaviour in the long run. There’s study after study showing that diverse teams make better decisions, and produce better outcomes. That’s actually why I think diversity is going to prevail a lot faster than any alternative pricing mechanism.”

by BLP] represented 64% of our external UK legal spend last year. I envisage that to be at least the same next year, if not growing. [But] across EMEA, our external spend on BLP and secondments is less – just under 20%.”

Dell has also started to use Axiom, she adds, and can outsource the whole contract management function to the business. “We’ve also done a few trials ourselves in India, with mixed results. We’re always scanning the market, looking at other LPOs, their prices, what is on offer and their references in terms of clients. That’s something we’re open to. But we’ve gone from putting 50% of our spend on external counsel to less than 20%. If we do, it tends to be with LOD – lawyers we have a close relationship with already.

“We find that many law firms struggle to come up with alternative solutions to the normal way of doing things. That’s why Axiom becomes interesting, because it’s fixed rates, and that’s why LOD is interesting, because you pay roughly 50% less than you’d pay in a traditional firm. Our conclusion is that you have to have deep relationships, and that is almost more important than the price. We’re looking for value for money. We will still explore the cheapest, but in a number of cases we’ve found both law firms and LPOs don’t necessarily give value for money. A lot of them do, but you can’t focus on price alone.”

Is the gulf also broadening between clients thinking within the new parameters of value, and those still happy to accept the hourly bill?

In the realm of AFAs, MacEwen says there’s been a lot of noise but not a lot of action.

“Surprisingly, traditional clients are often the most resistant. Being able to tell their CFO that they got ‘15% off the hourly rate’ seems more tangible than saying: ‘It’s a fixed price at £XXX,000’. The CFO’s rebuttal is usually along the lines of: ‘Why £XXX,000? Why not 80%

of that?”

What the client wants is always bespoke, says Elliot Moss, director of business development at Mishcon de Reya, but getting to what they want is a skill that kickstarts value. “You have to know how to ask the questions that will elicit the answers which help you decide what they need versus what they want. Needing can then become wanting.

“We’re trying to ensure that happens through a process of training our partners around financial, negotiation, and client-listening skills – what I would call ‘active’ listening. That covers how the client wants the service to be delivered and what the best cost structures to put in place are. That comes from having proper conversations, and offering several options, about what’s going to work for both sides. We like to have skin in the game. Skin in the game makes everyone behave differently.”

Simply put, different clients have different needs. “Hourly billing still works for unpredictable work like litigation, with serious issues coming at you from all directions. You don’t know what’s coming next. At the other end of the spectrum, take a charity that needs some certainty with an agreed fee upfront. We’ll then offer a blended rate. It’s a commonsense approach. We’re not a factory but we’re almost a £100m business, so we have some factory elements. Our business has to be clever enough to solve those problems, but structured enough to manage profitability and optimise the replicable things.”

Something for everyone

Dodds at Baker & McKenzie says that, as industry expectations change, there’s also a greater realisation internal business functions need to work together better. “Pricing sits in marketing in our organisation, with it being key to collaborate with our client, business

“You have to know how to ask the questions that will elicit the answers which help you decide what they need versus what they want. Needing can then become wanting.”

Elliot Moss, director of business development,
Mishcon de Reya

development and financial teams. That’s perhaps unusual, as some have more of a finance bent to pricing. I’m a strong believer that as pricing is part of the value proposition, it’s not a back-end activity. You need very clear, well-aligned links with finance, but ultimately pricing is fundamental to the value you deliver to your client.”

Further integration means optimising the process with the help of KM. “They’re best placed to build up efficiency from a client delivery perspective. They understand all the processes and can begin to actively query and question intelligently how to do

things slightly differently. No one person has the complete skill set. If you then bring IT into that, you've got four functions working together. We're using Six Sigma to improve our business services process and applying project management concepts to the internal functions, because ultimately that will benefit our clients."

Gilbert says the pricing and legal process management teams at Herbies also work closely together. "The only way we can successfully deliver on pricing agreements is by strong project management. Often we'll agree pricing with a client and then move it on to the project management team, who'll work on the delivery. They're quite often involved at the front end, designing the process and scope of the work and how we deliver it. But there is a point where pricing stops and project management takes over.

"Although I'm based in BD, it's very much a cross-functional group, with finance, KM and BD forming a kind of virtual team. All bring different attributes to it. The finance side will tend to be strong on the modelling and analytics, while BD will be very focused on developing pricing arrangements that meet the client needs and are aligned with what we want to be strategically as a firm. Then KM tends to be where you'll get the legal process management activity. It's a whole group of people and it's not clear-cut where one starts and the other stops."

Empowerment to change

Project management is doubly boosted by clients' internal drive toward these same efficiencies. Leroy says that's the goal for her and other in-house teams. "We're trying to move away from more traditional legal work to do more leadership that's value-based for the

business. That means trying to innovate and drive efficiency and trying to commoditise the things that we can. We're always interested in learning from others if they have good ideas."

But Dodds says project management is becoming more successful in legal because it's building on skills, approaches and capabilities that lawyers already use. "It's a case of approaching fee earners saying that this is not a fundamental shift of what you do. Project management is an enhancement of what you already do. That has been successful where you're trying to change people's behaviour in a way that is evolutionary rather than revolutionary."

But developing those skills through training at junior and partner level requires subtlety in messaging. "When you're taking on a massive case, for example, if you're a partner, you're talking about putting certain things in place. If you're an associate, you're talking about making sure the partner has put the following things in place. It's important that you train fee earners at the junior level all the way through to where the response is going to change. But the fundamental themes remain: upfront planning, communication with the client team, reporting, monitoring, measuring, improving on feedback and acting upon those findings."

MacEwen says linking those behaviours with clients can bring about benefits for both sides, fostering stronger ties between client and provider. "The notion of immediate feedback from clients – both pros and cons – has immense power. Law firms would benefit tremendously from taking advantage of that untapped resource. Think of how Toyota drives continuous improvement by empowering assembly line workers to stop the entire line if they see a defect being repeatedly produced."

Notions of continuous improvement perhaps also mean changing reward and recognition plans for teams that successfully

nurture client relationships, just as teams are rewarded for winning new clients. If it's far more profitable to retain existing clients than capture new business – which some approximate is roughly 10 times more expensive – better attention to retention and cross-selling could hugely benefit firms.

MacEwen says clients are far more likely to stay with a provider if they're engaged in more than one way. "Studies show clients are a lot stickier if you're doing multiple things for them through multiple offices, using multiple partners across multiple practice areas. The most at-risk client is the client dealing with one partner in one office doing one thing. Partners who like to hoard their clients because they're afraid of exposing them to someone who might mess things up are actually doing the most destructive thing."

Emara at Clifford Chance says it's all about finding the right balance between winning and retaining clients. "Our focus has a stronger 'lean' on existing clients. Of course, winning new work is often seen as much more exciting than servicing an existing client. On short notice we mobilise all our forces, people fly in from around the world, we pitch, we go and be the best we can be. After winning that client, it's all about making sure we provide exceptional service.

"Building relationships is a duty of all our partners, and we have defined a finite set of clients where we have a dedicated relationship team led by a relationship partner. Some bigger clients even have two relationship partners and a client service team that includes

people from across the firm – from BD and marketing, finance and HR. Our ambition is always about building long-term relationships with all our clients."

One thing above all is certain. Despite the keyboard critics, BD's transition isn't letting up. Firms delivering progress will gain from those resisting it. The legal success stories of



"Building relationships is a duty of all our partners, and we have defined a finite set of clients where we have a dedicated relationship team led by a relationship partner."

Karim Klaus Emara, chief marketing officer and global head of business development, Clifford Chance

tomorrow – more sustainable in cost, diversity and ultimately value – will shape everyone's future. And it might seem hard to hang a final price tag on that, but that's what needs to be done. ●

Connected development

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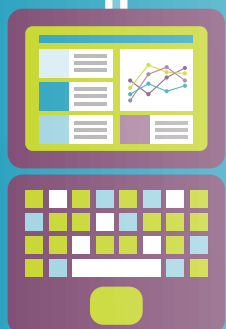
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Briefing Industry Interview

Why business development needs business data

Briefing talks to Paul Odette, manager of BD product management for Thomson Reuters Elite, about getting better BD data in front of those at the sharp end of selling a law firm's capabilities, and why both culture and capability have to play a part in a better future legal business. Photography by Matthew Gilson, Chicago

Pressure to win new business and nurture long-term relationships is making firms focus on the management information behind business development. Gaining (and keeping) a competitive edge through leaner and profit-focused BD processes could open up more opportunities in a low-growth environment.

And unearthing more from the right data and translating it into effective BD action is also getting firms that much closer to the predictability of cost and reliability of service that clients now demand. The route that firms take to get there may prove a differentiator and a path to sustainable sources of profit to the business, for those that do it well.

“For BD teams, their effectiveness often relies on the data within their systems,” says Paul Odette, manager of BD product management at Thomson Reuters Elite. “And bad data is the number one reason for a business development system to struggle or fail.” That can be the result, he says, of a lack of lawyer engagement with those systems, which presents a challenge for BD teams requiring quick deployment of client intelligence to those people.

For Odette, integration between finance, BD, time recording and billing systems firm-wide is crucial to business development. Fee earners must not only understand the firm’s relationships, they also have to understand all the work the firm has done on behalf of their client more comprehensively than ever before.

“That includes all of the matter information on past tenders and pitches, won or lost, before they even meet with clients or prospects. We’re finding that lawyers need to demonstrate a deeper understanding of the client’s business – and industry – to be competitive. For a fee earner not to have that awareness is a negative perception for the client to have.”

Better data, where and when it’s needed

Improving the visibility of firm data can sharpen a firm’s competitive edge.

The key to better BD, Odette says, is monitoring all the management information that goes into and comes out of opportunities. This is now a given need for today’s law firm. “Tracking progress and producing reports for management within the business is no longer a question for the firm – not to understand basic metrics, loss rates and duration of opportunities, for example, has become untenable for competitive firms. Firms using that data to improve their pitch processes continually are getting ahead.”

While most BD people aren’t (yet) road warriors, partners are under ever more pressure to be driving revenue, and many in the legal industry would say the future holds more time spent with clients – much like other professional services. “As fee earners become increasingly mobile, they’re not unlike many other types of professional services. Client service that meets changing client expectations means getting a holistic view of all a firm’s relationships, and having their people benefit from that.”

This means thinking about how information is used at the point of use, wherever that is. “Being able to view all the necessary information on a device before any key interactions with clients is important.” This is what Odette calls the ‘taxi report’. Partners, or anyone, on their way to a key meeting need access to specialised data – letting them quickly digest the industry’s latest developments, client revenue and other market data.

“Fee earners need to quickly view the information that’s unique to the client or prospect, including business performance reports, past opportunity information, and whether the individuals at the meeting

have been engaged with the firm's internal marketing programme. They simply don't have time to wait hours or days for BD departments to respond with data gathered from multiple systems. They need to get all the information quickly – and access to all of that information within a moment or two can be powerful. And when it's linked back to the firm's internal data, it's even more potent.

“More than ever, organisations expect external counsel to be extremely well-informed about their business, and any types of relationships or actions that have happened between their staff and the firm.”

This great future need to be freed from the constraints of the desktop is a central part of the Thomson Reuters Elite strategy. Mobility has come from being something that can be delivered to being just as important as desktop information availability to Elite – hence the focus on mobility over the last couple of years at Elite user conferences.

Automation plus BD equals goodness

While firms strive to meet client needs through closer collaboration, management has to track and understand the cost of the changing way firms work with clients and understand how that relates to pricing and cost.

Firms are becoming increasingly alive to

any measures they can take to reduce the cost (and therefore, usually, improve profitability) of capturing new business. Technology can help enormously there, says Odette. “It may be a more profitable activity to retain existing clients, but getting efficient around bringing new business into the firm can go some way to



“More than ever, organisations expect external counsel to be extremely well-informed about their business, and any types of relationships or actions that have happened between their staff and the firm.”

addressing the imbalance.”

Quality of data and the speed of gaining it become central to working more effectively. “Firms really need the data to just work for them. Automation enables that shift in emphasis for your people. They can focus more on areas that will improve both service delivery

and profits – not squandering time and effort on getting the basics out of the system.”

With more automation and workflow, firms can be more engaged with existing clients and focus on new ones. “Although firms don’t yet have the magic button to push all BD information into the matter record, that might come in the future,” Odette predicts.

“It does take more effort and focus to build entirely new relationships and win their business – it’s not the easiest revenue to capture for the firm, but that’s where, for any organisation, visible, usable data can play a huge role.”

The hard cross-sell

In times of low growth (in Europe, at least), increasing your share of a client’s spend can be the most effective way of boosting revenue – but to do more cross-selling, you need to find the opportunities. Odette says Elite has been working hard to create the answer to that. “We’ve found that when using Business Development Premier [Thomson Reuters Elite’s newly announced BD solution set], firms discover three to five more relationships than they were previously aware of.”

Leveraging those opportunities means leveraging relationships. Gaining a broader understanding of all the relationships

throughout the firm is therefore a must. “A firm should first protect its client base and then take advantage of all the conversations and interactions its people are engaged in.” The same techniques, applied differently, can be used to create new relationships. “It does take more effort and focus to build entirely new relationships and win their business – it’s

not the easiest revenue to capture for the firm, but that’s where, for any organisation, visible, usable data can play a huge role.”

How firms reward and recognise their people’s work in client retention – rather than favouring new business capture – is an issue many firms face. “Legal businesses need to think holistically about culture, system and process all together,” he says. “BD technologies can significantly automate much of the business work that’s previously been required, freeing up the firm’s important strategic business development, but that’s not all it takes to strengthen BD in the firm.”

Odette says that automation is no replacement for commitment from senior management. “They need to ensure a BD-embracing culture and the continual improvement of processes to make the organisation more efficient. Technology cannot solve all those challenges in most cases. It’s a question of leadership.”

Both culture and capability are required to embrace and advance BD. Doing so will lead to bigger returns – and a more competitive legal business.

Find out more about
Thomson Reuters Elite
www.elite.com



Industry Analysis

Rules of BD attraction

An illustration of several business professionals in dark suits and light shirts, shown in various starting or stretching poses as if they are about to begin a race. They are positioned around the main title and the quote, set against a background of large, overlapping teal and white geometric shapes.

Giles Taylor, managing director at Leighton Taylor, on making the most of a buoyant recruitment market – and the smart moves when it comes to the best people

The legal market is strong and confident, but we believe it is now more essential than ever that law firms get the entire recruitment process right to secure quality talent. As we move into the latter stages of 2014, we have identified some trends and patterns that we feel would be very useful to take into account when recruiting for BD teams.

The current state of the recruitment market within the legal sector is extremely buoyant, with a wide range of roles across the entire sector and at all levels (including more at a senior level). It is also probably the most competitive market (for sourcing talent) that our consultants can remember in almost 20 years of working in the sector. It is very much 'candidate-led' – with more roles than relevant applicants – and very good people are at a premium. The firms that don't recognise

this, struggle to recruit at the moment, as the process has to be spot-on from start to finish.

Are law firms adapting to the current recruitment market?

Many have, but some haven't. There is a varied approach by firms to what for them is a very challenging recruitment market. Some continue as they did when the market was much more 'client-led' and subsequently struggle to fill roles for months (and in some cases much longer). Common issues revolve around complicated CV and interview processes (a good candidate is going to react better to a firm with a smooth, quick process), salary bands (where a firm is low in comparison to its direct competitors), lack of a bonus structure (more of an issue now that

bonuses are being paid again), and a general lack of 'selling' a role on the part of a potential employer. More than ever, an interview should be seen as a two-way process – and quite often, unfortunately, it isn't.

Specialist roles, whether they be pitch, CRM, PR, digital or anything else are generally more difficult to source. We have also found recently that practice/sector-based BD manager roles (for example, ones in corporate or financial institutions with a strong pitch focus) can take a long time to fill. Firms need to try and make these roles as attractive as possible to candidates by ensuring they have broad remits.

Is this likely to continue for the next six to 12 months? We think that pitch-specific roles and broader BD roles with a strong pitch element will continue to be more difficult. One reason for this is that if good BD specialists come onto the market, often their primary motivator is to reduce this part of their role. At a BD manager level in particular, the hours that many are expected to work (due to pitches and having smaller teams than before) can be quite extreme and this is why they are looking for a change. They will not be attracted to a role that on paper looks exactly the same as the one they're in.

There is an extremely high chance that high-calibre candidates currently in employment will be counter-offered if they resign.

In fact, we are finding that they may be counter-offered more than once, even after contracts are signed and start dates have been agreed. If this ever works, it is a fairly short-term solution, as candidates will generally be looking again within three-six months. But it does mean that offers need to be highly attractive and a candidate needs to be bought in completely to making a move. A good recruitment consultant can be invaluable.

Our blueprint to attracting quality BD candidates in the current market

- Ensure the CV process is fast, efficient and uncomplicated both for the candidates and the agencies recruiting on your behalf.

- Where possible, avoid the use of specific firm cover sheets for candidates. Good-quality agencies should automatically provide their own as part of their CV, which should include interview notes and information on salaries, notice periods, and so on.

If agencies are asked to produce a specific firm CV and cover sheet this will take more time, and the CV may already have been sent quickly to the majority of other firms that just accept a normal (agency) CV. Less complicated means a quicker process.

- Don't hide behind a CV extranet system. CVs can just become a number when they are placed on these, so ensure that constant dialogue is maintained throughout the process. This includes as much information as possible on roles (agency briefings are key), feedback on submitted CVs, candidates interviewed and also regular updates on timescales.

- You need well-briefed interviewers and partners who don't just question the candidates but also sell the merits of the firm to candidates who are generally going to have more than one option.

- Create a smooth process from beginning to end, with limited delay.

And don't forget – if you see someone you like, move quickly and efficiently and jump on them.

Learn more about
Leighton Taylor
www.leightontaylor.co.uk



Industry Analysis

CRM is now more important than ever

Fiona Jackson, client adviser for LexisNexis Enterprise Solutions, outlines why firms need to optimise their customer relationship management strategy for controlled international business development

As law firms increasingly grasp the opportunities presented by a more global legal market, they need a BD strategy that leverages both local difference and a unified international approach.

Firms of all sizes are courting the globalisation trend to capitalise on the huge business opportunity it presents. Technology has blurred geographic boundaries and provides the operational support to make international business expansion affordable. But legal businesses can't adopt a 'one size fits all' approach across countries – they need a business development strategy that allows them to leverage the interdependencies between regions and exploit each country's distinctiveness to offer a local and personalised service to clients.

Customer relationship management (CRM) systems are a big part of the solution – they can be used to centralise and optimise international business development to achieve business targets in a controlled, structured and results-

driven manner.

Referrals play a significant role in helping law firms expand their international presence. But how many firms actively manage inbound and outbound referrals strategically? I dare say not many. Routinely, firms are part of international networks, but don't proactively cultivate their relationships for business growth. Knowing where inbound referrals come from helps to more effectively determine which firms to pass potential matters to, and who to preferentially reward with opportunities.

Such analysis also helps to determine which firms are like-minded, culturally aligned, have the complementary expertise, are similar in their pricing structure and so on – all factors that are also crucial to developing the reputation of a firm's brand. By developing referral tracking and management capability in the CRM system, firms can have real-time visibility of how effectively their network of contacts is working for the business and take informed decisions about which relationships they must focus

effort on.

Many corporate law departments are using panel reviews and online auctions as measures for cost cutting. Most recently, the Royal Bank of Scotland warned more than 20 firms on its panel that they were going to be asked to make cost efficiencies if they wanted to maintain their place on the panel from 2015. But firms pitching for panel work or bidding in online auctions must be sure that the projects they secure will deliver profits. This requires business intelligence (BI) to assess potential resource availability and profitability of the assignment in order to make an educated decision.

Firms should consider integrating their CRM systems and practice management systems. This will offer further insight into their most profitable clients globally, internal expertise, how resources worldwide can be optimised and even where they can fine-tune processes to increase profitability alongside relationship intelligence. In panel reviews and auctions, access to such data is essential to determining the go/no-go/walk away position. Firms can also use this information to devise innovative pricing models – ahead of the review process – to improve competitiveness.

A proactive client management strategy must be integral to a firm's BD activity. Client management of course becomes more challenging in an international scenario – there are cultural, language and regulatory differences to deal with. A centralised CRM system facilitates targeted communications to strengthen client engagement. It can be the repository where global client objectives are stored, ensuring that the right information reaches the right people in the right format, in a timely manner and in adherence with the data protection rules of the countries in question.

Fundamental to all this is clean, high-quality data. Achieving this is a challenge for many organisations, not just law firms. The findings

of the Experian Data Quality 2014 Global Research report shows that 75% of businesses are dissipating 14% of revenue due to poor data quality as a consequence of wasted marketing spend, resources and staff time.

Firms must ensure that there is a single instance of every contact in their CRM system – that is, everyone is seeing the same information on a contact at any point in time, anywhere in the world.

CRM systems offer multi-language capability, which is critical for global business development programmes. If a change to an entry is made in English in London, the system automatically sends an alert on the modification to the firm's data steward in China so that it is reflected in Chinese. This ensures accuracy of the data at all times, regardless of where in the world it's being accessed. From a cultural standpoint, CRM systems also provide international salutations so that people are addressed appropriately based on gender, seniority, profession and country.

The CRM discipline has moved on. It's not simply a marketing communications tool – it's now a strategic business development instrument that firms must optimise for competitive advantage.

Integrating with firms' practice management systems makes the combined solution even more compelling. A 360-degree view on every client, partner and prospect – right from basic contact information to historical record of matters, billing status, profitability and such – is powerful data. This kind of centralised knowledge can help firms discover, manage and exploit the relationship intelligence that exists to meet business growth targets.

Learn more about

LexisNexis Enterprise Solutions
www.lexisnexis-es.co.uk



Industry Analysis

Facing the profit challenge

Totum consultant Jessica Hill analyses how the legal sector is working to get its pricing strategies right, and why the drivers have only grown since the dark days of the recession

Pricing is a huge and developing issue in law firms, with many still facing a significant challenge in introducing alternative fee arrangements and the associated project management required. So what do law firms need to do to ensure they keep one step ahead of the game?

Over the past 18 months, many large US or US/global law firms have hired a director of pricing, according to a recent report published by ALM Legal Intelligence (*Pricing Professionals: Essential to Law Firms, An Ally to Clients*). It also shows that 38% of the firms polled by the researchers have 'made this job a dedicated role within the firm', and that over half of those firms include a pricing professional within their senior leadership team.

Here at Totum we have seen a huge rise in the number of pricing roles we have been asked to assist with. What has caused this trend? A primary reason can be traced back to the closing months of 2008 when the recession began to bite. Law firms already knew they needed to become more commercially oriented, including addressing outdated pricing structures. The dawning realisation that we were facing a global recession that

would impact all aspects of the business world, accelerated that change. This also had another knock-on effect: increased usage and deployment of professional procurement teams to rope down costs on the client side, combined with broader economic factors, have started to profoundly alter the relationship between firm and client.

"Clients are looking for maximum value for their legal spend, are seeking budget certainty wherever possible, and want clear visibility of the status of their work by external providers with a no-surprises working relationship," says Darran Stevenson, head of commercial analysis at BLP.

When it comes to fees, the power has shifted dramatically in favour of the buyer. No longer do the sellers of legal services have *carte blanche* to set the price on an hourly basis – now they must consider the real value to the client of the services delivered.

Despite the shifting relationship, the need to retain clients and sustain long-term revenue and profit has become a huge priority for firms, and pricing strategy has been placed firmly at the top of the agenda list at every partners meeting.

So what are firms doing to get ahead? How

can they gain and maintain market share while also getting their pricing management right? With the downturn, all firms looked to protect profits. Costs have been cut, often painfully. But managing expenditure can only go so far. Firms needed to focus on delivery models to drive top-line growth too.

At first, lawyers started to offer simple discounts to clients against headline rates or based on volume. Perhaps predictably, the impact of these discounts on profits and resulting low margins placed great strain on cashflow. In more recent years, lawyers have had to approach pricing in a more innovative way. This has meant focusing on what the client wants, and the client's perception of commercial value. Lawyers need to understand how the client – not the lawyer – perceives value. If the client sees value in a particular piece of advice (for example, helping to solve a complex problem, avoiding or settling litigation), the firm should price accordingly. The same goes for if the client's perception is that the service is routine.

"Pricing needs to be flexible with differing techniques adopted for appropriate packages of work," says Stevenson. "To remain competitive, firms will have to adapt the way that services are provided, and challenge their thinking around the resources and delivery models that are deployed. Pricing specialists working closely with process improvement, project management and BD specialists will play a key role in supporting this change within the sector."

Clients, too, are keen to see their lawyers engaging in project management and process improvement techniques to help them manage their legal budgets, and this is where finance people can provide a great deal of partnering support to legal teams and other areas of business services to drive change.

David Thomas, head of legal service

delivery at BLP, says that today's management professionals are bringing with them some well-honed skills and experience gained from outside the legal sector, particularly from the outsourcing industry where margins tend to be thin. "Today's professionals are increasingly adept at financial modelling, performing trends analysis and taking advantage of opportunities to generate incremental fee income using established project management techniques as they go," he says.

Effective pricing is now an essential ingredient of a successful law firm and it needs to be on the agenda at partners' meetings for small and large law firms alike.

Laurence Kaye, digital media partner at Shoosmiths, says: 'Before pricing a piece of work, put yourself in your client's shoes and ask yourself – honestly – where is the value is that the client gets. It is likely to lie in a combination of factors, whether in saving the client time and money, 'just' managing overflow or, alternatively, getting a 'business-critical' job done. The value may also be personal to the client, such as building an in-house lawyer's reputation within his or her organisation. Then rank all these value points and build the pricing model from there.'

Looking to the future, it is clear that the role of pricing specialists is not likely to disappear, with many firms predicting their pricing function will grow over the next year. But for today, law firms need to deal with some major pricing issues now or risk falling behind their peers. Those that respond quickly will almost certainly strengthen their financial position internally and improve their competitive edge.

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Briefing Industry Interview

Intelligent business

Briefing talks to Karen Bailey, head of solutions consulting EMEA for Aderant, about combining business intelligence and matter management tools to make a great leap forward in pricing and profitability

Pricing and profitability go hand in hand, and both relate directly to understanding the cost of delivering legal work. They combine to create competitiveness and efficiency – and business intelligence (BI) tools are helping legal businesses get closer to those goals. If your firm isn't using a dedicated BI tool now, it's competing against those that are – which might leave it at a disadvantage.

Legal businesses are increasingly using specialised BI tools to deliver a competitive edge that the traditional methods of reporting and analysis cannot achieve. But getting the best out of management information

produced by BI tools means applying the right measurements, or metrics, and using data to shape both financial goals (reducing costs) and pricing goals (ensuring profitability while delivering keen prices).

Karen Bailey, head of solutions consulting EMEA at Aderant (which recently acquired the industry leading BI software, Redwood Analytics), says BI tools are changing the way firms report, how they identify client and market trends earlier and more accurately and, most importantly, how they can price legal work.

“Firms will hugely benefit from a future in which they better understand their clients’

behaviours. This brings efficiencies and drives informed decision-making, because firms can create and use the data in more constructive ways.”

Information gained from BI tools helps teams to assess workload more accurately, assign potential resources and better analyse pricing/cost up front. But this is most effectively achieved when combined with matter management systems when the work is done. This would more likely reduce write-offs down the line.

BI and matter management should work off each other. “The BI tool tells you what you have done and how far you got it right, and matter planning/management enables firms to look at historical matters and better estimate staffing levels and what levels of profitability the firm made on those matters. But you need BI to know if they made the right levels of profitability.” Fee earners can also use BI tools to ensure work stays within desired profitability margins.

This kind of symbiotic relationship between BI and matter management creates strategic opportunities for innovative legal businesses. Getting deeper visibility on previous matters, Bailey says, in terms of resourcing, profitability and outcomes gives legal businesses better options – options that feed directly back to client value.

Live management information and matter management also help law firms work on matters in a more project management-oriented way. “As soon as work goes off plan, it can be seen very quickly. That gives firms the chance to go back to the client or, if it’s a Jackson reforms matter, you can go back to the court and say the scope of the matter has changed.”

Flexibility in pricing is ever more central to a competitive offering. “For existing clients who have special rates, or if you want fixed fees,

blended rates, or a cap, prices can be more easily calculated against the associated cost. The client could potentially be offered a choice of any of these options, with the firm being assured that each of the arrangements would achieve the right level of profitability. The client gets the choice, and the firm knows it’s still working to a profitable rate.”

Getting much better management information from BI tools can also be very important if a firm finds itself operating at overcapacity, she says, because heads of department can, for example, be alerted to take on matters at slightly lower levels of profitability “rather than doing nothing at all”. But being sure about profitability only comes from better data.

Better information and better management create a more efficient working method, which may be increasingly important in combating a shift Bailey is seeing in the way GCs work with their legal partners. Matters are being broken down and clients are more inclined to only outsource components of the work, she says. “GCs are doing more work in-house, so where firms come in to pick up the slack, they have to be extremely efficient on smaller, commoditised pieces of a matter and have to ensure that they deliver value for the GCs as external legal spend is increasingly scrutinised.”

Ultimately, says Bailey, the way firms work with and act on client and internal management information is reshaping the legal process to make it more efficient and more profitable. In turn, this is creating competitiveness, because they are the differentiators for the legal businesses of tomorrow.

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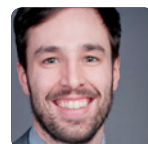
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