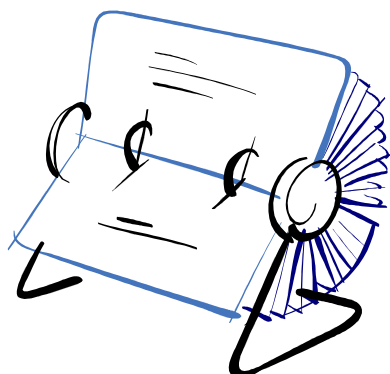


MOVE OVER MARKETING – Business Development (BD) is here (Apr 05)



In a world of never ending acronyms another one is set to enter the legal practice lexicon – Business Development or BD. It is virtually the same as PD or Practice Development, the one size fits all account code used by all and sundry to explain all those hours believed to be non-chargeable.

We knew then and we know now that we were not actually doing PD, it was just a useful hiding place for all those hours. Well, time has moved on and BD is emerging into the sceptical world of legal practice management. To date it carries little gravitas here in New Zealand and the cynics have already decided it has similar importance to other major decisions like whether to offer chocolate biscuits with morning tea! As with many new ideas it is easily rejected when it interferes with the 'daily grind', by placing additional barriers/decision making in practitioner's way. One further problem is that it is seen as yet another example of non lawyers creeping into practice management. Too many firms imagine all management decisions have to be taken by partners on some daft pretext that they own the business and have the relevant knowledge and competence. Perhaps it is time to remind these dinosaurs professional management has a lower *opportunity cost* than a partner's chargeable time. Moreover, most partners have NO management training and very few have ever risen to positions of senior management in public companies.

Having got that little gripe off my chest, just what is BD and how can it improve the all important 'Bottom Line'?

BD can function in different ways, depending on what specific objectives are set. For example, one firm might set an objective to lift the fee income from its top 10 clients by 10%, another might seek to enter a new market and invest accordingly. The common denominator is the 'investment' component in the decision making process. If finite resources are 'invested' and criteria set then metrics for measuring success follow and, unlike generic 'marketing', can provide a 'paper trail' delivering specific identifiable results.

Overseas firms, particularly the larger practices in the northern hemisphere, have embraced the BD concept with, in many cases, high levels of success. Some have reported significant reductions in unfocused marketing spend as a direct consequence. BD professionals at one English firm were able to confirm that money spent on brochures and sponsorship had no impact on clients and prospective new business whatsoever. The result saw brochures withdrawn, except for the annual report, and sponsorship deals cancelled. The level of sophistication is such that BD 'audits' are being carried out, Linklaters being one example of many firms now doing this. In order to undertake BD audits effectively a firm needs to have in place 'systems' to measure profitability by client, by work type, by sector and by individual fee earner (and preferably by individual matter as well). Once these are in place and the culture of measurement is accepted by all concerned, practices can decide how to apply BD and what projects to consider. The application of 'systems' to measure profitability by work type, fee earner etc. are straightforward but from my observations and research, lacking in the majority of law firms.

At the practical application level firms wanting to introduce BD need to set some goals and hand the responsibility for achieving these to professionals (usually non-lawyers). Typically they are allocated a fixed number of clients from whom they are required to develop new business. This is then measured much like a lawyer is required to 'make' budget. Other targets might be based on relationship building where outcomes can be measured e.g., a measurable reduction in work instructed to other firms. The introduction of BD in New Zealand is going to have to

surmount two obstacles. One is the 'smine' attitude/culture to clients whereby partners believe they 'own' the client relationship often to the extent instructions from these clients outside their own expertise is actively rejected. The second factor is one of firm size; most of the firms overseas with BD professionals on the payroll are larger in HR numbers than any NZ firm. Both these obstacles can be overcome. The starting point is frequently the introduction of profitability measuring. This entails analysing where the current profit is coming from with certainty, enabling firms to focus on identifying and targeting new business opportunities. The exercise might be as simple as identifying clients by frequency of instruction, value of billing, profitability and strength of the firm/client relationship. Many firms do none of these but paradoxically spend profits on marketing without any capability of measuring its effectiveness. Others, when approached about introducing BD, reject the idea by saying that non-lawyers cannot understand the complexities of solicitor client dynamics yet it is often these firms that actively tolerate a 'smine' culture, frustrating fee growth.

LegalBestPractice has extensive experience of working with firms to help them identify business development opportunities and implement effective growth strategies.

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