Law Firms in Business Development Transition

Matt Thompson
Director, Client Success Team Program
LexisNexis InterAction
## Survey Demographics

### Firm Size (Number of lawyers)

<table>
<thead>
<tr>
<th>Firm Size (# of lawyers)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-50</td>
<td>17.7%</td>
</tr>
<tr>
<td>51-200</td>
<td>30.4%</td>
</tr>
<tr>
<td>201-500</td>
<td>24.3%</td>
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<tr>
<td>501 or more</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

### Role

<table>
<thead>
<tr>
<th>Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attorney</td>
<td>1.6%</td>
</tr>
<tr>
<td>Marketing or business development</td>
<td>86.6%</td>
</tr>
<tr>
<td>Admin</td>
<td>2.4%</td>
</tr>
<tr>
<td>IT support</td>
<td>3.9%</td>
</tr>
<tr>
<td>Other</td>
<td>5.5%</td>
</tr>
</tbody>
</table>
The strategy and activities law firms require to win new business have changed considerably in the last few years.
Three Hot Trends in Law Firm Business Development

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1. Size Alone Does Not Yield Profits - Is There Enough Good Work?

As the latest American Lawyer 100 survey analysis explains, the mega-firms with the largest platforms are not necessarily the most profitable. The growth imperative that exists in the legal marketplace has driven many firms to respond primarily by acquiring top-down head-count. So, lateral movement remains high; however the hope that ‘significant business will follow this lateral/acquisition’ is difficult to project with accuracy in the vetting process and has not been achieved to the level or degree hoped for by many acquiring firms. Growing new business from 15,000 feet is simply not as effective as growing it selectively from the ground up. So, without a corresponding and focused growth plan at the ‘grass roots’/individual partner level (other than simpl
“...lateral movement remains high; however the hope that 'significant business will follow this lateral/acquisition' is difficult to project with accuracy in the vetting process and has not been achieved to the level or degree hoped for by many acquiring firms.”
“...with the increasing commoditization of legal work, it is no longer enough to rely on a few lawyer-client relationships alone to assume and hope that the legal work led/originated by any single partner will remain within the firm. Due to client-driven pressures to contain the overall costs of legal services, "institutional" or "firm" clients are just not as loyal or prolific as they once were.”
“Some firms have responded to the pending departure of senior partners by assembling and/or requiring more formal 'client teams' that are built around certain key client relationships. The objective is to solidify the firm's relationships at several levels and to increase overall client satisfaction in order to retain and/or expand the relationship originally built by senior Partners.”
“Increasingly, law firms around the country are successfully using sales pipelines to identify, track and close new business from the volumes of their client development opportunities and efforts.”
Three Hot Trends in Law Firm Business Development

1. Size Alone Does Not Yield Profits - Is There Enough Good Work?

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Law Firm Mergers Surge in 2011

Newtown Square, PA, October 3, 2011 — There were 14 law firm mergers and acquisitions announced in the number of 2011 combinations announced from January through September is 43, up 79% compared to the same period in 2010.

Law firm mergers kept up pace in 2012

By Chris Mondello, Inquirer Staff Writer

Law firm mergers continue at fast pace in 2014

Law firm mergers and acquisitions continued at a fast pace last year, though its down 7 percent from a record-setting 2013, according to Altman Weil's MergerLine. Only four of those deals took Philadelphia law firms, which focused largely on lateral additions for growth.

2013: The Year of the Law Firm Merger

by Nicole Weber | November 26, 2013

Citing irresolvable conflicts of interests between their respective government clients, yesterday Orrick (#37 in the Vault Law 100) and Pillsbury (Vault Law #80) called off their anticipated mega-merger that would have created one of the largest U.S. law firms. The commitment-phobia must have been contagious: less than 24 hours later, Dentons (Vault Law #3) and McKenna Long & Aldridge called off a tie-up that would have created one of the three biggest law firms by headcount worldwide. Both were left with added to the growing list of law firms, who focused largely on lateral additions for growth.

Report: 2015 Could Set Record for Number of Law Firm Mergers

Nell Gluckman, The Am Law Daily

October 5, 2015 | 0 Comments
The strategy and activities law firms require to win new business have changed considerably in the last few years.

- **39%** Strongly agree
- **47%** Agree
- **12%** About the same
- **2%** Disagree
- **0%** Strongly Disagree

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LexisNexis
This year looks more promising for law firm growth than last year.
Top 5 Challenges In Winning New Business

- Competition: 52%
- Obtaining attorney participation: 39%
- Pricing: 38%
- No long-term strategy: 36%
- No accountability: 32%
36

Average number of firms Corporate Counsel use

Down 11 from last year

Data from BTI Consulting
85%

Average retention rate of large law firms

The best performing firms: 92%
15% Estimated percent of top clients the average large law firm loses a year
25%

Increase in profits when retaining just 5% more clients

Data from Harvard Business School research
Top 5 Challenges to Winning New Business

• “Thin bench strength of attorneys in certain practices.”
• “Lack of follow-up on proposals from attorneys.”
• “Potential clients usually go with current counsel.”
• “Many people courting same potential client with no respective plan in place.”
• “Corporate counsel keeping more cases in-house.”
• “Too much focus on what the law firm can do instead of what the client really needs.”
• “Compensation structures which discourage cross-practice collaborating selling.”
• “Too many lawyers, not enough work. Competition is fierce.”
Are marketing and business development different functions that require skills in a law firm?

- Yes, very different: 42%
- Yes, a little different: 49%
- Generally the same thing: 5%
- No, these are similar: 5%
- No, these are identical: 0%
Marketing vs. Business Development

Being Found

Targeting, Research, Proposal Generation

http://www.closersgroup.com/blog/2012/04/04/are-marketing-and-business-development-interchangeable-terms/
Marketing ≠ Business Development

Don’t apply a MarCom mindset to Business Development
The June 9, 2015 program featured Darryl Cross of LexisNexis, who was also a speaker at the 2015 Legal Marketing Association National Conference. Darryl addressed the chapter about “The 15 People That Will Make or Break Your Year.”

For a lawyer, this list includes five existing clients, five prospects (that look strikingly similar to their existing clients), two non-lawyer referral sources, one alumnus of the firm, one lawyer referral source, and one law school buddy. That’s it. This list is not static. This year’s list of top clients may change next year. Lists of prospects may switch every few weeks, depending on how they are progressing (or not).

Referral sources can change based on external factors that a lawyer cannot control. However, for the purposes of planning business development activities for today, the list is small and finite. The collection of all of these lists of 15 represent the marketing and business development targets of the firm. But, as long as it is still executed by individual lawyers, marketers must still plan with these small circles of influence in mind.

In this program we discussed how to identify each type of contact, specific marketing and BD activities for each type and how to constantly refresh the list. Marketers see endless possibilities and potential. Lawyers see the work that is front of them. This program helped both parties see eye to eye to focus on execution instead of aspirations.

Key Takeaways:

- How to help each lawyer identify their list of 15 using financial, historic and relationship strength data
- Best practices in targeting clients versus prospects
- How to establish and track quid pro quo referral relationships
- How to tactfully remove a referral source, enticing prospect or valued client from the list of 15
- How to incorporate individual list into a firm wide, business development plan
Marketing vs. BD Quotes

• “Marketing is brand development. Business development is selling the ‘brand’”
• “Marketing is about bringing in leads, business development is about closing the deals”
• “Marketing is the hook and business development is catching the fish”
197 Ways Law Firm Marketing and BizDev Are Different

Describe your firm’s marketing and business development organization.

- Business development reports to marketing: 26%
- Marketing reports to business development: 22%
- Marketing and business development are separate: 23%
- We do not have a business function: 29%
Answered “Yes” – Marketing and BD are Separate Functions

Describe how the CBDO role was filled...

- 81% CMO Fills Both Roles
- 10% CBDO and CMO roles unique and separate
- 9% CBDO and CMO roles are separate but work in close collaboration
Answered “No” or “Unsure” – Marketing and BD are Separate Functions

Do you believe your firm should create a separate role for a CBDO?

- No: 45%
- Yes: 29%
- Unsure: 25%
Relationship Lifecycle

Engagement

Relationship Intelligence

- Networking & Referrals
- "Lead"
- Awareness, Events & Content
- Establish Trust
- Coach & Build Plan

Business Development

- Research & Discover
- Follow-up
- Gather Info
- Build Relationships
- Propose & Close

Client Lifetime Experience

- Client Satisfaction
- Nurture
- Teach & Tailor (Trust & Advisor)

Opportunity

- Pursue

Pursue
Percent of law firm revenue spent on marketing and business development

- 13% <2%
- 32% 2-5%
- 5% 6-10%
- 2% 11-15%
- 1% 16-20%
- 1% >20%
- 46% Unsure
10.8%

Average amount companies spend on marketing

Data from Gartner
http://www.gartner.com/newsroom/id/2895817
Over the next 12 months, our law firm’s investment in the following activities will:

- **Thought leadership**
  - Increase significantly
  - Increase
  - Remain about the same
  - N/A

- **Analytics**
  - Increase
  - Remain about the same
  - N/A

- **Blogging and content**
  - Increase
  - Remain about the same
  - N/A

- **Social media marketing**
  - Increase
  - Remain about the same
  - Decrease
  - N/A

- **Technology tools (CRM)**
  - Increase
  - Remain about the same
  - Decrease
  - N/A

- **Client events and meetings**
  - Increase
  - Decrease
  - N/A

- **Lead development**
  - Increase
  - Remain about the same
  - Decrease
  - N/A

- **Business development**
  - Increase
  - Remain about the same
  - Decrease
  - N/A

- **Public relations**
  - Increase
  - Decrease
  - N/A

- **Digital marketing**
  - Increase
  - Decrease
  - N/A
Thought / Leadership
Top 5 Challenges In Winning New Business

- Competition: 52%
- Obtaining attorney participation: 39%
- Pricing: 38%
- No long-term strategy: 36%
- No accountability: 32%
Thought / Leadership
Over the next 12 months, our law firm’s investment in the following activities will:

- **Thought leadership**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Analytics**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Blogging and content**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Social media marketing**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Technology tools (CRM)**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Client events and meetings**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Lead development**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Business development**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Public relations**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)
- **Digital marketing**: Increase significantly (red) - Increase (blue) - Remain about the same (gray)

Legend:
- Red: Increase significantly
- Blue: Increase
- Gray: Remain about the same
- Green: Decrease
- Purple: Decrease significantly
- Gray: N/A
Over the next 12 months, our law firm’s investment in the following activities will:

- Thought leadership:
- Analytics:
- Blogging and content:
- Social media marketing:
- Technology tools (CRM):
- Client events and meetings:
- Lead development:
- Business development:
- Public relations:
- Digital marketing:

Legend:
- Increase significantly
- Increase
- Remain about the same
- Decrease
- Decrease significantly
- N/A
My firm has quantifiable data to measure the ROI on marketing and business development initiatives:

- **Strongly agree**: 2%
- **Agree**: 31%
- **Unsure**: 23%
- **Disagree**: 37%
- **Strongly disagree**: 6%
My firm tracks the following metrics:

- Win/loss: 78%
- Goals by practice: 68%
- Individual attorney goal: 58%
- Lead source: 45%
- Number of leads: 39%
- ROI of lead source: 35%
- Effect of nurturing: 16%
Average number of pitches won by large law firms

Data from BTI Consulting
Closing Thoughts
Business Development Maturity Model

**Falling Behind**
- Unmeasurable, susceptible to disruption, low ROI

**Limited**
- Low direct value, tactical improvements

**Aligning the Business**
- Moderate direct value with Improved ROI, Measurable Client Lifetime Value and Referral Rates, Putting Clients in Focus

**Optimizes the Business**
- High Client Lifetime Value, Referral Rates and ROI; Firm is known as a Trusted Advisor

**Drives the Business**
- Superior Client Lifetime Value, Referral Rates, & ROI; Strong Brand - Clients are Evangelists; Low Disruption Risk

**Competitive Differentiator**
- Predictive, Proactive
- Standard defined process is continuously monitored, refined and improved
- Use quantifiable data and predictive or automated technology to drive proactive processes. CMO and/or CBDO are seen as experts and advisors who innovate and drive strategic outcomes.

**Ad hoc**
- Reactive, chaotic and tactical.
- Unorganized
- No BD team

**Reactive**
- Use of a standard BD process is used by pockets of firm and different methods used throughout firm.
- Dependent on individuals performance
- May have central BD admin team.

**Developing**
- Firm attempting to use standard BD process consistently across the firm.
- Experienced BD Managers or Directors hired for groups or teams & have influence.

**Managed**
- Quantifiable, Actionable, Integrated
- Use a standard, defined business development process consistently across the firm.
- Process is documented, controlled and measured using quantifiable data; driven by firm, group & individual goals. CMO and/or CBDO play a strategic role in the firm.

**Optimized**
- Strategic Value

**Strategic Level**
## Business Development Maturity Model

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Stage</th>
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<tbody>
<tr>
<td>Adhoc</td>
<td>Reactive</td>
</tr>
<tr>
<td>Organization</td>
<td></td>
</tr>
<tr>
<td>Process</td>
<td></td>
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<tr>
<td>Enablement</td>
<td></td>
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<tr>
<td>Focus</td>
<td></td>
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<tr>
<td>Oversight &amp; Accountability</td>
<td></td>
</tr>
<tr>
<td>Relationships &amp; Experience</td>
<td></td>
</tr>
<tr>
<td>Metrics &amp; Intelligence</td>
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Contact

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Director, Client Success Team Program
matthew.thompson@lexisnexis.com
@matt_d_thompson