June 2017

Briefing

SMARTER LEGAL BUSINESS MANAGEMENT

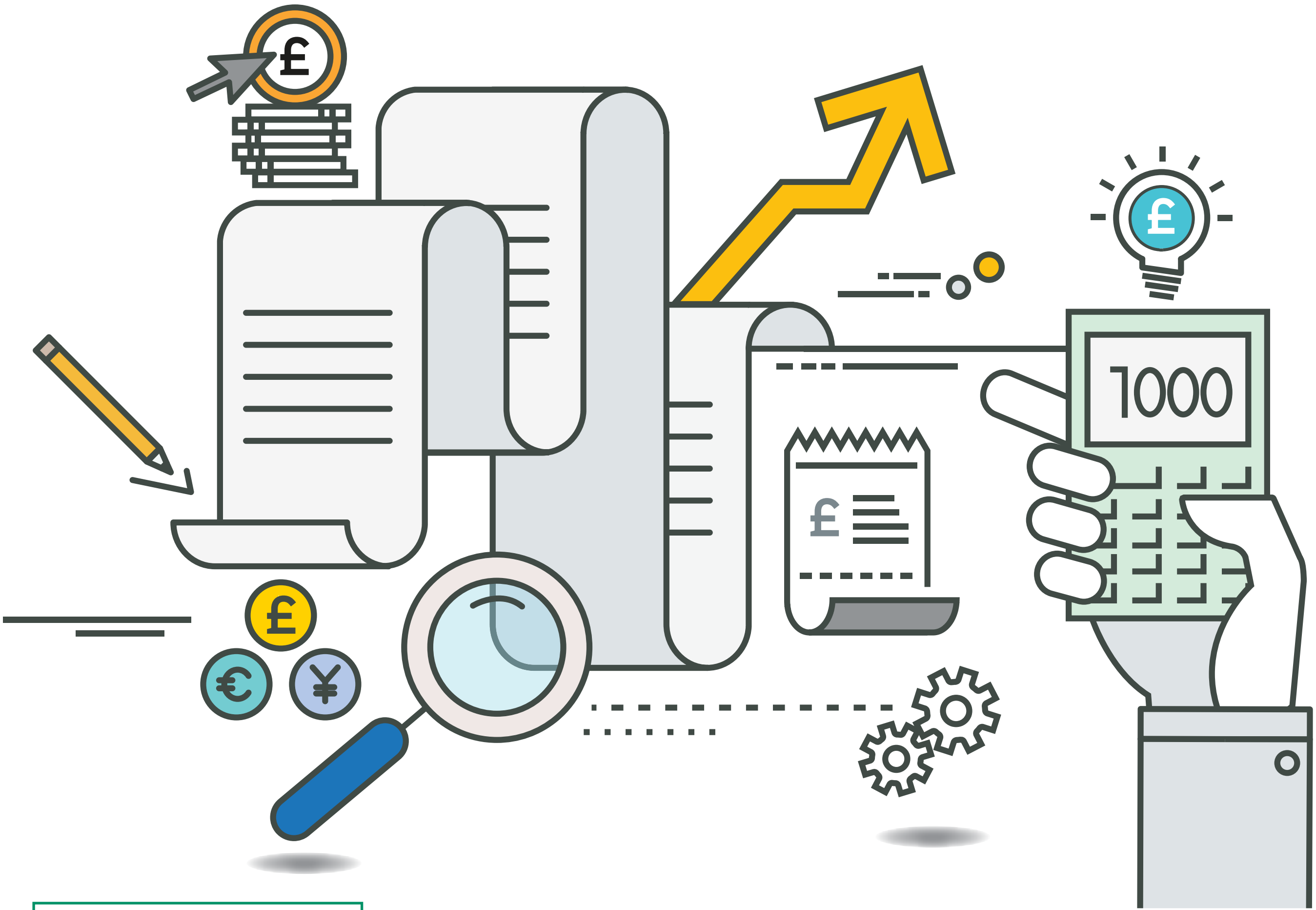
SUPPLEMENT INSIDE: CLOUD UNCOVERED

PLAY THE GAME
Psychology meets technology in the war for talent

ICE WORK
What do the polar regions and a law firm have in common?

Machine yearning

Robots have a starring role in tomorrow's law firm, but the reality should be more WALL-E than HAL 9000. Hey Siri, proof this contract for me ...



INDUSTRY ANALYSIS

A healthy relationship

Dave Harris, principal consultant at LexisNexis, says a CRM system can help firms to master the art of revenue predictability and still maintain strong relationships with clients

In spite of the fact that law firms are driven by 'revenue', anecdotal evidence suggests that the discipline of predicting that revenue is seldom embraced with rigour. This is indeed surprising as commercial entities must be able to envision – with a reasonable degree of certainty – what the organisation's future revenue stream looks like in the medium term.

This is underpinned by the idea that in a sector where 'relationships' rule the roost, the traditional approach of harnessing one-to-one relationships will continue to bring in the revenue. After all, this practice has worked well thus far – abetted by 'rainmakers' in law firms.

There is no doubt that relationships are a law firm's number one asset. However, against a backdrop of Brexit and globalisation, alternative fee arrangements, expanding in-house legal teams and technology-driven approaches to business such as machine learning and artificial intelligence, it's imperative that firms adopt a more commercial and targeted approach to building relationships.

In the current environment, the ability to predict revenue accurately is critical. Technology like customer relationship management can facilitate this – but it must be driven by leadership from senior partners and business executives. A change in partner mindset is needed. Revenue predictability is as much about acquiring new business as it is about protecting the existing income stream.

Buying signals

A common gripe of business development professionals in firms is that the discipline isn't joined up. The strategy for revenue generation tends to be "get out there." But, with disparate

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CRM systems can enable partners and business development professionals to focus on the most potentially rewarding relationships by helping them identify the engagements that are likely to yield the best results.

business development efforts and multiple data sources, it becomes impossible to achieve accurate visibility of the new business pipeline. This makes it difficult to track, manage and precisely report on revenue projections. Quantifying the return on investment is also unfeasible.

Technology can help overcome this haphazard approach and enable firms to determine exactly who their buyers are. CRM systems can enable partners and business development professionals to focus on the most potentially rewarding relationships by helping them identify the engagements that are likely to yield the best results. They can also enable firms to horizon scan clients' businesses to proactively determine where those organisations are likely to face challenges. This enables firms to put forward timely solutions. A major litigation law firm adopted this mindset toward new business development – and by combining relationship intelligence with research on prospect organisations, the firm realised a 57% increase in profits in one year.

Similarly, analytics such as why the firm wins business, in which sectors, against which competitors and at what price points and flexible fee arrangements can enable the organisation to predict revenue and new industry trends realistically. This insight is crucial to enabling firms to evolve their business offering in and capitalise on new industry developments for competitive advantage.

Retaining business

In addition to securing new business, firms need to retain business by 'being there' for clients and advancing their offering in tune with clients' changing commercial needs. This is how firms can tangibly demonstrate their value.

Technology can help with nurturing relationships. CRM systems can help firms to move away from a transactional approach to relationships towards a more partnership-led model. For instance, by aggregating information from emails, phone calls and other interactions, firms can quantify the strength of relationships with individuals and their organisations. Such insight is often a key indicator of client satisfaction, which can help predict revenue, and alert firms to take corrective action before it's too late.

Ensuring accountability

The traditional approach to revenue management and growth means typically there's a lack of accountability for revenue generation in law firms. Business development executives often struggle to get fee earners to volunteer their time. However, CRM systems offer the capability to institute checks to hold fee earners, client teams, business development and indeed senior partners accountable for their commitment to growth objectives.

For example, it's possible to link the business development actions of lawyers to specific outcomes and growth initiatives. In fact, undertaking such an approach can set in motion the first steps toward a 'sales' culture. Similarly, CRM technology allows firms to focus on engagement and outcome analysis – as opposed to the all too simplistic 'more engagement' methodology typically undertaken by firms.

Most law firms deploy some form of technology for CRM. The question is: is it the right technology for their business? In the current business environment, firms need systems that provide the big picture, with the ability to systematically break it down to a granular level, highlighting the potential relationship and business risks. This enables firms to predict revenue and growth and take timely action to mitigate unpleasant surprises. But it's vital to change the behaviour of business leaders.