

MANAGE YOUR REFERRALS



Build your business by analysing your referrals; in both directions

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Earlier this year, the merged Dentons and China's Dacheng firm with 6500 lawyers became the world's largest law firm. While this alliance clearly takes the cake, 'merger mania' has been growing over the last few years for a number of reasons. Some firms do it to overcome financial pressures; many see it as a way to become national or global organisations, or to enter new practice areas and markets. Firms also enter into exclusive alliances to save themselves the trouble (and disruption) that typically accompanies a legal merger and yet benefit from all the business advantages of combined strength. Linklaters is one such example.

With this level of cross-border M&A activity, the challenges increase significantly for the independent firms. How can they pit themselves against the might of these global law firms? A strong referral network to win business is now imperative.

Actually, referrals have historically been a key source of new business for law firms, but despite its importance, referral management has never been undertaken strategically. It needs to be an integral part of firms' co-ordinated marketing and business development initiatives.

Why track referrals?

Effectively managing inbound and outbound referrals is an important component in the management of a modern law firm. Firms that invest time and resources in doing it well achieve a number of objectives – from bringing in new business and enhancing client satisfaction to ascertaining who the firms' major business partners really are and evaluating the effectiveness of business development efforts.

Typically, firms manage inbound (coming from external sources) referrals reasonably well, but find the management of outbound (the leads that the firm passes on to other organisations) referrals difficult. Firms generally leave the recording of referral information to individual fee-earners' discretion, often resulting in either events not being recorded or the task becoming a part of individuals' personal business development efforts.

Just as clients are considered 'the firms' clients', and not clients of individual lawyers, outbound referrals should be considered assets of the firm, and not of individuals. Knowing where inbound referrals come from allows firms to more effectively determine which firms to refer work to so that they can achieve higher levels of reciprocity. Furthermore, tracking referrals in a commercial and measured manner provides valuable data that can be used to evaluate firms' business development and marketing investments as well as ascertain how best to use these resources in the future.

Make referral management strategic

To this end, referral network management has to be part of a firm's business strategy. For instance, referrals can be made part of partners' key performance indicators and objectives. They must also be an integral part of new business pipeline management. This will help firms objectively measure both how partners are tracking towards their referral goals, and monitor the source of each new business lead and reward those relationships – internally and externally.

Memberships of international networks (e.g.s Lex Mundi, ALFA, etc.) is another good way of ensuring that referral management becomes a key part of business development initiatives. Firms benefit a great deal from such 'good friend' networks.

Manage reciprocity proactively

Gone are the days when partners could draw in business based on their/firm's reputation alone. In the current environment, developing relationships is critical and managing reciprocity can help build connections that deliver quantifiable business. It makes business sense for firms to manage outbound referrals to firms or banks that in turn provide them with the most referrals. However, the firm can ensure this only if it is actively monitoring its new business pipeline to determine and identify such relationships, which then be managed in order to strengthen them further. Similarly, firms need also to manage their relationships with intermediaries, much as they do for key clients.

Referral management in CRM

CRM technology, which is often prevalent in firms, can be used for referral network management to help grow the sales pipeline, compete and win new business. But it is grossly under-utilised.

Firms should look at setting up referral network management systems within their CRM to enable them to quantify the strength of their relationships, value inbound and out bound referrals and then the revenue generated by those actions. This kind of insight will enable firms to value their referral networks, ensure reciprocity, and extend those relationships for continued business gain.

Oslo, Norway-based Wiersholm, is a good example of a law firm that has leveraged CRM to adopt a proactive and dynamic approach to managing its international referral network and relationships. Over the years, the firm has even increased the breadth of its services to clients. The firm's referral network plays a key role in driving its business development strategies.

In the current competitive and globalised marketplace, independent firms need to invest time and effort in devising a referral management strategy that percolates through the organisation from the top down. Legal Week recently reported that referrals between law firms Allens and Linklaters have surpassed the 800 mark – a sign that referral network management is a conscious, strategic initiative that bears results. No law firm can afford to be blasé about it.

About the author

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