Structuring success

How can law firms re-evaluate their marketing structures to maximise return on investment in the current market? Ori Wiener reports.

Responding to the economic turmoil of the past 18 months is subjecting law firm senior management to unprecedented challenges. Firms with large exposure to 'big ticket' transactions or the banking sector are under particular pressure to protect profitability or minimise any reductions in the industry's gold standard profit-per-partner. Cost-cutting has therefore become a concern, if not a matter of survival, for a great number of firms.

As a result, one of the biggest dilemmas management is now facing is what to do with their marketing departments. On the one hand, given the need to generate significant cost savings across the board, there can be no department too important or protected to be able to avoid having to make cuts or to have to rethink strategies, but on the other there has never been a greater need for good marketing.

According to Michael Hertz, a partner and director of knowledge and business development at magic-circle firm Freshfields Bruckhaus Deringer, "the crisis has resulted in greater demand than ever for marketing support within the firm". Nevertheless, the growth of marketing departments over the past decade has left many partners uncomfortable about the rate at which such departments are burning through marketing budgets. Too often partners feel that their marketing staff either don't understand their business or, worse still, are embarking on the wrong initiatives.

More often than not, partners are right to be concerned. Many firms find it difficult to demonstrate tangible benefits from their marketing departments. There is often a lack of clarity about, or buy-in for, a firm's marketing strategy – assuming one has been articulated.

In order to maximise the potential of a firm's marketing department, senior management and partners should be focused more on the shape, size, quality and alignment of their firm's total marketing activities. The reasons for this are simple, says Axel Koelsch, Continental European chief operating officer (COO) at international law firm Lovells. "A firm's total investment in marketing is composed mostly of the time spent by fee-earners on marketing and client-related activities, followed by expenses for activities such as events, client entertainment, seminars and so on," he says. "Marketing headcount cost comes a distant third." The implications are clear: a firm's future will be determined by the way staff engage in winning new business. But what role does the structure, or restructuring, of a marketing department play in this?

Does structure matter?

Marketing departments can, if functioning to full effect, have a critical impact on a firm's future. And yes, the structure of a department plays a crucial role in this. In fact, departmental structure has become increasingly important as a result of the changed competitive landscape that law firms experienced over the past decade. "The increasing scale and sophistication of clients resulted in growing competition and a need for firms to enter new markets either directly or through alliances or mergers," explains Des Woods, a partner at professional services practical consulting and learning solutions provider Møller PSF Group. "Firms had to find ways to compete better for business."

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When lawyers, like most fee-earning professionals, didn't demonstrate much enthusiasm to spend their time marketing or developing business, firms compensated by hiring marketing professionals, initially in the less sensitive communications and public relations (PR) arena, to help firms raise their profile in a more competitive world. "Recently merged or expanded firms also needed help organising themselves to penetrate increasingly complex markets, a corporate skill set not normally found in the DNA of professional firms," Woods continues. "The rapid growth in the size and complexity of firms made it more difficult for partners to cross-sell effectively – just at a time when clients were increasingly demanding the provision of integrated cross-border or cross-practice solutions."

With time and increasing competition, firms found that they needed to become better at handling client relationships and winning business. As much of this was about improving collaboration among partners, the obvious response was to hire business-development experts who would support partners in areas such as client and market analysis, opportunity spotting, pitching, client relationship management (CRM), internal co-ordination and project management. Legal marketing departments, therefore, grew in an unplanned manner.

This created its own problems, as insufficient attention was paid to clearly defining the roles that both fee-earners and business services staff should be playing in this arena, resulting in wheels being reinvented and even duplicated. Additionally, although there is a general expectation that partners should always be acting in the interests of the firm, all too often partners focus on personal billings or work for their business unit to the detriment of the overall firm. As a result, marketing teams are often co-opted into supporting local initiatives or rebuffed if they propose changes to established ways of organising a firm's marketing activities.

How should departments be structured?

The structure of marketing and business-development departments should be driven by a number of factors unique to each firm, including its culture, geographic spread and client base. Most important of all, a department's structure should reflect the firm's overall strategy, the roles that the partners wish to play and the degree of support that they want to have.

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The reorganisation of magic-circle firm Linklaters' marketing department is a good example of how departmental structure can be altered to the benefit of a firm. In 2004, the firm moved to a more 'client-centric' approach by introducing sectors and formal relationship management to the firm. The intention was to ensure that it accumulated sector know-how and global relationships were best exploited for the benefit of the entire firm. This included appointing partners as sector leaders or 'global relationship partners' and hiring business developers as sector or 'relationship managers' with a carefully defined brief to support these partners. In the early phases of this approach, it was possible to accommodate these sector and relationship managers within the firm's existing marketing structure, by assigning them to specific practice areas or offices, for example. However as the client-focused approach became more established, the limitations of this structure became apparent. As a result, the firm restructured its marketing department in January 2009, allocating a significant number of business developers to a new client function within the department, which saw marketing professionals working directly for firm clients alongside the existing practice and geographic teams. An immediate benefit was to free business developers from being overly-restrained by their previous 'home' practice area or office. "These changes yielded a dramatic improvement in the way in which we can now direct our marketing efforts towards clients and opportunities that justify these investments" says Richard Godden, Linklaters' head of client sectors.

The success of the Linklaters experience was partly due to the fact that the recruitment of the sector and relationship managers was accompanied by changes within the partnership. Although sector and relationship partners remained part of their relevant practice areas, they agreed guidelines about the expectations being placed on them for these roles, especially with regards to operating their sectors or relationships on a global basis. These guidelines were also communicated to the rest of the partnership. Improved conflict clearance at the firm was an additional benefit. Even for some of the more complex situations, which in the past took several days to address, resolution is now typically reached within a matter of hours and, just as importantly, lawyers working for smaller offices and practices feel more fairly represented. "Our investment in marketing, both within the practice and within the marketing department, has made a big contribution to our success over the past five years – and there is still a lot of untapped potential," says Godden.

Perhaps, a more radical example of what can be done when business services structures are redesigned from a client perspective is Freshfields Bruckhaus Deringers 2007 merger of its 'marketing and know-how' departments into what is now called the 'knowledge and business development' department. "The merger of the two departments was not a cost-cutting measure, but rather an attempt at bringing together and integrating client-related expertise and product knowledge," says Hertz. "The merger has been extremely successful in that our internal clients now receive a marked improvement in the quality of support". Although Hertz thinks that all business-services departments have important contributions to make to a firm's marketing success he believes that marketing, know-how and finance are at the vanguard to support partners in this area. The latter because of the increasing need for law firms to have accurate and timely information on their clients and products and to develop meaningful return on investment (ROI) analyses. "Developing good ROI measures is critical but extremely difficult and more of an art than a science," says Hertz. "But we have been able to make good progress focusing on key parameters such as the contribution to pitching successes and the quality of relationships."

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Many see the current market as an opportunity for law firms to fundamentally rethink how they approach marketing. Some go further still, pointing to the current economic crisis as a critical juncture. "Those firms that are just adjusting numbers temporarily, with a view of returning to their previous way of doing things, will not survive – the market is going through a structural change, firms need to take advantage of the current situation by re-evaluating and re-engineering what they are doing," says Woods.

It is a belief which Nick Heywood Waddington, European COO for US firm White & Case, is in agreement with. "Over time, many marketing departments ended up doing a variety of things, some no longer as relevant as when they were first introduced," he says. Heywood Waddington and others expect marketing departments will be engaged in less 'broadcasting' activities, such as public relations, 'big ticket' sponsoring, advertising and other non-client specific initiatives. Instead, they believe they will be expected to help partners focus on client-specific opportunities. This will also include finding ways to help partners collaborate better across offices and practice areas. It is imperative, Hertz says, that "firms find new ways of engaging fee-earners".

Patrick Lynch, COO at the new Linklaters Central and Eastern Europe spin-off firm, Kinstellar, provides another perspective on the subject. "Our firm is still new enough to be able to redesign the way functions work together," he says. "Most firms only realise 25 per cent of their potential, especially in terms of capitalising on their knowledge resources. We have the chance to ensure that our support functions operate in a more integrated way and to reflect this in the way that practice areas and offices work together."

What next?

So, what else could marketing departments do? And what can be done to reduce costs while at the same time improving both ROI and service offerings?

There are a large number of options open to firms. It is likely marketing departments will need to become more involved in client-specific activities, aiming to get more fee-earners in front of existing or potential clients more often. Setting up new business teams in which business developers identify and approach potential new clients, introducing fee-earners only once these prospects have indicated that they might be open to instructing a new firm is, therefore, an advisable approach.

What's more, marketing departments and other business-services functions will, increasingly, be judged on how well they are able to integrate their expertise to help win business and support client relationships. Marketing's role will typically involve co-ordinating with other functions such as finance (through financial reports, billings processes, pricing, rates and so on), knowledge (through access to legal know-how, precedent libraries and so on), learning and development (through training client staff, updating on new developments and so on) and IT (through the setting up of Wiki-sites, secure virtual data rooms, client internet sites and so on). In many instances, clients have emphasised the importance of non-legal elements to a relationship or instruction. As a result, members of business development and marketing functions can expect to be increasingly brought into pitches or client meetings to respond to clients directly.

The benefits that can be gained from drawing together the elements of marketing and business-development functions into a more rational structure, are undeniable. And indeed, it is this rationale that has seen an increase in the use of 'shared service centres'. These separate practice marketers (who directly interface with partners) and marketing service specialists, with the latter grouped into a firm-wide shared service to optimise effectiveness, budget and supplier management. Examples of this include pitching centres that supply credentials, firm descriptions and other non-specific information, giving pitch teams more time to focus on the specifics of a tender. The use of such teams reduces duplication while increasing the consistency and quality of the materials used. A further shared service example is the organisation of events. Centralising events teams has generated cost savings, in terms of headcount, procurement and venue-booking, while at the same time improving the quality of the events. This is not to say that all marketing activities will be centralised. Effective delivery of many services will continue to require local marketing teams to be able to develop close working relationships with partners.

The current market turmoil is likely to result in firms becoming smarter at marketing and using available marketing resources more effectively. Successful firms will have learned to align fee-earner and marketing department activities with their overall strategies (but still leave partners with the appropriate entrepreneurial freedom). The boundaries between fee-earners and marketing will become blurred as more business developers, and other non-lawyers, become involved in winning work through direct interactions with clients. Marketing will emerge more hard-edged as firms look to their marketing departments to be more involved in directing fee-earners to the right opportunities. Although the overall size of marketing departments may shrink, their importance within firms is likely to increase significantly. Indeed, as Heywood Waddington explains: "having the right people focusing on the right areas and aligning a firm's resources to deliver real value to the partners is now critical". In the current climate, it is not about having armies of people, it is about having focus. LegalMarketing

Ori Wiener, the former interim global marketing director and global head of business at Linklaters, is managing partner of professional-services strategic business development consultancy Gara Consulting and an executive coach and partner in the professional services practical consulting and learning solutions provider Møller PSF Group. He can be contacted at ori.wiener@garaconsulting.com .