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Center on the Legal Profession

Implementing A Smart Collaboration Strategy, Part 3: Identifying and Prioritizing Client Opportunities

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Background

Your client's most pressing and high-value challenges are increasingly complex and ambiguous. Firms can better meet—and exceed—their clients' expectations when lawyers collaborate to integrate their expertise across organizational silos, disciplines, and geographic divides to provide more holistic, tailored, joined-up advice. We call that Smart Collaboration. Our research at Harvard University over the last decade, using robust analytics on millions of data (such as timesheet, personnel and financial records) from dozens of professional service firms, has empirically demonstrated that firms engaging in smart collaboration boost revenues and profits, increase client satisfaction and loyalty, and are better able to attract, engage and retain top talent.[i]

*Implementing Smart Collaboration requires a clear-eyed view of the current state of collaboration, and then targeted approaches to strategy implementation. In **Part 1** of the series we outlined the diagnostic phase which helps identify current collaboration barriers and bright-spots, and provides guide-posts for future areas of focus. Improving firm-wide collaboration requires a bottom-up ground swell of support and starts with individuals understanding their own collaborative behaviors and skills.*[ii] *In **Part 2** we showed how to equip lawyers (and potentially others in the firm) with the capabilities to turn their natural ways of working into strengths that improve collaboration. We also show how to improve leaders' understanding of their group dynamics so that they are better able to manage, direct, and motivate their teams (such as practice groups or key account teams).*

After understanding their collaborative strengths and strategies to deploy them, partners need to direct those skills toward specific client opportunities. This is the focus of this *paper, **Part 3** of the series, where we discuss tech-enabled ways to analyze, identify and prioritize collaborative growth opportunities, along with ways to create accountability for execution. Even with the right targets, we know from research that many partners lack the skills and confidence to pursue complex client opportunities which require cross-silo collaboration. **Part 4** of the series outlines seven principles for effective capability development, shows how to calculate the return on investment for skill development programs, and provides a case study on one kind of BD capabilities program that generates 10x ROI.*

Strategic Focus on Existing Clients

Focusing a growth strategy on broadening and deepening relationship with existing clients makes sense for a host of reasons. First, you already have a trusting relationship with at least one buyer who can serve as an internal reference to other parts of the business. Through your prior work you will have developed a deep understanding of the client's business as well as their legal issues. Knowledge of their business context, market dynamics, internal politics, billing guidelines, service preferences, and other critical factors allow you to develop holistic offerings that distinguish your team from the competition. Further, expanding service across practice groups and geographies results in higher revenues and profits because the offerings address more complex problems that help legal teams add value to their enterprise—not simply tackling discrete legal issues. The buyers of these services are generally more senior, with bigger budgets and more buying discretion. Broader client service teams also result in more sustainable, institutionalized relationships that are more likely to withstand the loss of a partner from the team. Finally, you can expand relationships with a lower cost of sales than it takes to win new clients. Table 1 sums up this rationale.

Table 1: Why focus on existing clients?

1. Trusting relationship ➔ internal references
2. Deep understanding the client's business ➔ distinctive, value-added offerings
3. Solutions for more complex problems ➔higher revenues and profits
4. Addressing business-wide issues ➔higher-level buyers with bigger budgets and more buying discretion.
5. Broader client service teams result ➔more sustainable, institutionalized relationships
6. Lower cost of sales than for wining new clients ➔higher profitability

Despite the large proportion of law firms today that include collaboration-related goals in their strategic plans, many lack a solid understanding of exactly where collaboration may have the most impact and how much it could help them drive revenue growth. As a result, these firms lack the ability to tie collaboration to performance objectives.

Simply put, firms cannot just state that collaboration matters and hope lawyers change their behavior. You need to set specific objectives, based on a deep understanding of your data and its implications, and then hold people accountable for delivering on these clear targets.

Many law firm leaders ask, "Won't highly autonomous partners operate best when they set their own goals?" Simply put: no. Research in social psychology shows that people's motivation to perform is significantly stronger when given specific, measurable goals rather than being told to 'do your best'.[iii] Likewise, lawyers are most engaged and productive when they have a clear sense of direction aligned with the firm's strategy, which helps them to discriminate between higher value and lesser-value work. This approach holds true provided that lawyers understand the rationale behind the targets and have had the ability to accept or modify the proposed goals.[iv]

Leverage technology

With this psychological underpinning and a deep understanding of the typical barriers to collaboration in law firms, our team has conducted diagnostic assessments of multiple law and professional service firms around the world. In early projects, our approach to data collection was highly manual and labor intensive given the challenges of aggregating data from multiple sources and cleansing inconsistent data. This manual approach is common in most law firms where the business development and marketing function perform highly manual one-off analyses which are difficult to replicate consistently and unsustainable from a capacity point of view. Through these early diagnostic projects, we identified a clear opportunity to leverage technology to create a faster, deeper and more robust analytic capability.

Our approach to addressing this gap was to work with a technology company to develop a data-driven software tool that uses machine learning to identify, prioritize and quantify the highest value collaboration opportunities across the firm. The tool leverages timesheet data and other records to reveal the highest potential opportunities to deepen relationships with clients and which lawyer in the firm is best placed to act on the opportunity. Whether you use a commercial product like this, called WhiteSpace, or a homegrown solution, here are the elements that distinguish an excellent solution from the typical 'gap analysis' that law firms have long attempted—and often abandoned—during strategic planning.[v]

Analyze and quantify collaboration successes and opportunities

Using the full range of data on your current client portfolio, determine where cross-practice service provides the most value to similar sets of clients (e.g., average collected fees across the retail banks or biotech companies you serve). The purpose is not simply to see where gaps exist and try to plug them; this blunt approach would result in the kind of 'cross-selling' that clients despise. [vi] See the sidebar for an explanation. Instead the analysis should turn up clusters of services that some clients already benefit from.

The difference between Smart Collaboration and cross-selling

Smart collaboration—the integrated, holistic client service that often crosses practice groups and other silos—isn't mere "cross-selling." Cross-selling happens when, for example, the lead partner introduces a colleague to his or her client so that the newcomer can provide additional, discrete services. Although the lead partner may provide some general oversight or quality control, he doesn't get deeply involved. It's merely a referral, or a hand-off.

Put simply, clients often view cross-selling as the professional equivalent of what you've surely heard at the register at McDonald's: "Do you want fries what that?" In other words, clients see cross-selling as a crass way to get more money out of them, not as an attempt to help them solve a more complicated problem with different experts' inputs. And very few partners enjoy cross-selling (in one firm where we asked this question, less than 4% of partners said they liked to "sell" work).

By benchmarking like-to-like clients, the analysis will then quantify the 'size of the prize' if lawyers can team up to bring insights from those clustered offerings to benefit more of your client base. This step addresses the typical barrier, "What is the full range of services my firm offers?" for harried lawyers who do not have time to study their firm's online directory or knowledge management database.

Prioritize options using with strategically-aligned algorithms

The first step could turn up many thousands of opportunities, so this is where technology is essential: use algorithms to rank those choices based on inputs that are critical for your firm. For example, weight choices by the profitability of the account (no point trying to sell holistic solutions to clients that unrealistically squeeze your margin), history of client loyalty, growth in that market segment, depth and breadth of current engagement, and other factors. Although most finance departments could do this step manually, it would take hundreds of hours; software should be able to do it in seconds.

> **Consider the Tail**
>
> In addition to identifying growth opportunities, this analysis will inevitably highlight a long 'tail' of smaller clients. A tail isn't all bad. Every firm needs a pipeline and clients to grow with.
>
> Take the opportunity to review the tail. How fragmented is the client base? How much time is spent by the BD team on mono-line clients vs continuing to grow multi-line clients? Most firms need to refocus on their larger, strategic existing clients.

Match trusted experts with opportunities

For each high priority area, mine your data from billing records, timesheets and other archives to figure out (1) who has worked on similar issues—ideally both in terms of content and the client's sector—and therefore has the right expertise to pursue the new offering, and (2) who has prior experience working with the existing client team members. Then develop a short-list of potential partners to execute on the opportunity. A data-driven short-list promotes *competence trust* by signaling someone's credentials, and *interpersonal trust* by ensuring that at least some existing client team members are familiar with the proposed new team member. It thus helps to efficiently overcome the barrier that many partners report: "I don't know who does this kind of work—or whether I can trust them.” Smartly designed software can also promote a firm’s diversity and inclusion goals by ensuring that each proposed ‘slate of options’ includes a mix of people, rather than simply the ‘usual suspects.’ Overall, this step is almost impossible to perform efficiently and accurately unless you are using a technology solution that leverages AI.

Convert goals into accountability

Once the right potential team has been targeted at the best opportunity, partners need to collaborate to bring the plan to life. Here, technology is useful because it creates an electronic ‘paper trail’ to allow the firm to view who is accountable for an identified goal and monitor progress against the objective. For example, a transportation sector leader could see that the client lead partner for a specific airline client had set the goal of expanding the firm’s data privacy services with that airline by X amount, and that the client lead partner had asked a particular partner in the data privacy practice to join the team and help achieve that goal. A software tool can automatically propose options for partners in the data privacy practice (to the lead client relationship partner), and prompt her to select an individual or decline them for a specific reason. If the tool uses machine learning, it will ‘learn’ over time which client opportunities are most relevant for each particular partner and adjust automatically. Accepted goals can get converted in specific, quantified objectives that leaders can use to establish accountability—in ways that are far more transparent than traditional strategic planning and performance management.

Identifying opportunities from a sector perspective

Firms need to consider the primary lens through which they will look at client opportunities: sector, practice group, geography, etc. In general, a sector-based approach has advantages over practice group or geography.

Ask a business leader or GC how they think of their business and they are unlikely to say "We are a Manhattan company", or "We do regulation". No, they will say "we are in the automotive, or financial services, or software business". They think of their businesses, first and foremost, in terms of industry sector.

Further, they are rightfully demanding that the insights from their service providers are tailored to their own, specific business needs. They want to know: what's happening in the regulatory environment specific to their industry; what are their peers doing; how is technology impacting their business model?

Within the firm, industry-focused groups are a natural place for cross-practice collaboration to flourish.[vii]

For these reasons, sectors should be the focal point in identifying whitespace opportunities (opportunities to expand the number of practice groups serving a client) with existing clients. And, the sector head is a natural leadership role to help drive execution of identified opportunities

Embed collaboration into the firm's culture

Technology provides the means to identify opportunities and track execution. Successful deployment also requires embedding the approach within the firm's culture. Storytelling is a powerful way to communicate 'what good looks like'. Unfortunately, leaders often make the mistake of focusing on the wrong stories. Too often, the stories held up as examples of great success are the individual efforts of a rainmaker partner to land a new client. Instead, find the stories of a cross-silo team working collaboratively to broaden and deepen an existing client relationship.

These are the stories that make a difference to the client and represent a culture shift toward existing clients. Use these stories to build an organizational mythology around great collaborative teams and the success they've driven with clients.

The case for using technology

A typical lawyer's strong sense of urgency means that most partners simply use intuition to prioritize their business development efforts and are unwilling to wait for the data. So, if a firm wants to use a data-driven approach, leaders need to acknowledge that manual analysis is likely to be too slow to meet partners' needs. **A software solution like WhiteSpace should not replace business development or finance professionals, but rather augment their ability to add value by removing the drudge work and inherent biases and focusing them on the most important opportunities.**

Implementing any strategy requires a leader to translate firm-wide aims into on-the-ground actions; a collaboration-related strategy demands even more attention because it requires significant coordination across individual partners. By leveraging technology to help develop data-based goals, leaders can better harness the full range of their existing data and translate it into specific, measurable objectives that allow them to hold specific individuals and teams accountable for delivery.

Conclusion

Deepening relationships with existing clients is a critical growth vector for most professional service firms. However, multiple barriers can make execution challenging: suboptimal collaboration across practice groups, sectors and geographies; partners' lacking a full understanding of the firm's offerings; inconsistent, intuition-driven prioritization; slow, manual, incomplete and expensive attempts to use the firm's data. AI-driven software can help overcome these barriers by identifying, prioritizing, organizing and tracking execution against strategic business development opportunities. Beyond the obvious revenue uplift potential, this type of technology can help firms better leverage a broader talent base, increase talent engagement, improve speed to market, and reduce cost.

In our fourth whitepaper in the series we will analyze how to upgrade Partners' collaborative business development capabilities to help execute on the opportunities identified using software like WhiteSpace.

About the Authors

Heidi K. Gardner, PhD, is a Distinguished Fellow at Harvard Law School and Faculty Chair in the school's executive programs. Previously she was a professor at Harvard Business School. Dr. Gardner's book *"Smart Collaboration: How Professionals and Their Firms Succeed by Breaking Down Silos"* became a *Washington Post* bestseller. Named by Thinkers50 as a Next Generation Business Guru, Dr. Gardner co-founded the research and advisory firm Gardner & Co.

Dr. Gardner has authored more than seventy books, chapters, case studies, and articles. Her books include *Smart Collaboration for In-House Legal Teams* (2020), *Leadership for Lawyers* (2nd edition, 2019), and *Smart Collaboration for Lateral Hiring* (2018).

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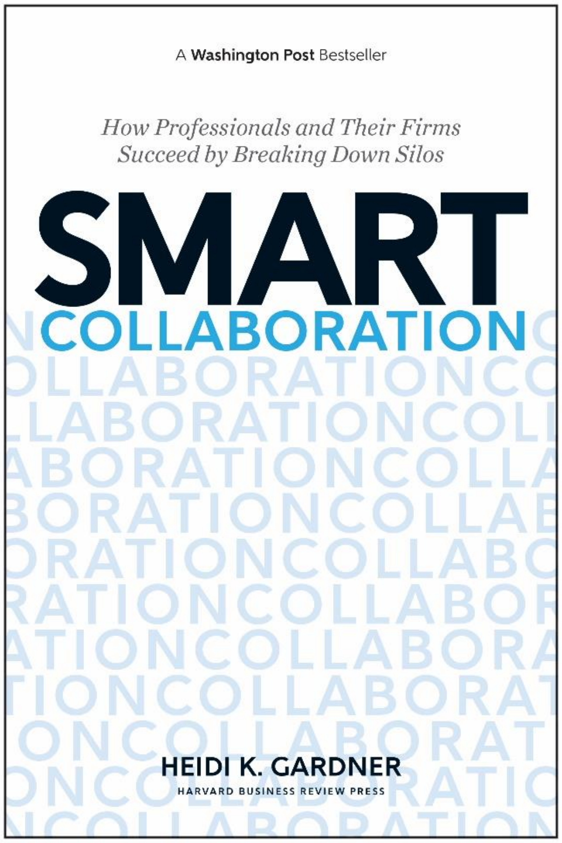
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Smart Collaboration for In-house Legal Teams
Dr Heidi K Gardner
Law firm management insights

[i] Heidi K. Gardner, *Smart Collaboration: How Professionals and Their Firms Succeed by Breaking Down Silos,* Harvard Business Press, 2017; Heidi K. Gardner, "When and Why Clients Want You to Collaborate", *The American Lawyer*, 2016; Heidi K. Gardner, "By Failing to Collaborate, Law Firms Are Leaving Money on the Table," *The American Lawyer*, 2018

[ii]Heidi K. Gardner and Ivan Matviak, "Implementing a Smart Collaboration Strategy, Part 1: Building the Case for Change", *Harvard Law School White Paper Series*, 2020

[iii] "Motivation Through Conscious Goal Setting," by Edwin A. Locke, *Applied & Preventive Psychology*, Cambridge University Press, 1996

[iv] *A Theory of Goal Setting & Task Performance,* by Edwin A. Locke and Gary P. Latham, Pearson College Div., 1990

[v] For an overview of this tool, see https://www.whitespacesoftware.com/.

[vi] For more on this distinction, see *Smart Collaboration: How Professionals and Their Firms Succeed by Breaking Down Silos,* Dr. Heidi K. Gardner, Harvard Business Press, 2017; Making Multidisciplinary Practices work, David Maister, 2005 (https://davidmaister.com/articles/making-multidisciplinary-practices-work accessed on 4/2/2020)

[vii] Dr. Heidi Gardner and David Harvey, Why Your Firm Needs a Sector-Based Strategy – and How to Build One, *The American Lawyer*, Nov. 2019