Client Teams: A Look At Current Practices

by Patrick J. McKenna & Michael J. Anderson

As the economy slows, it becomes obvious that attending to your best clients becomes even more critical. As one General Counsel put it to us, “Firms need to go beyond simply expressing empathy and then assuming our continued loyalty. They need to actively position themselves to better understand our emerging needs. This cannot be done without actively discussing business (not just legal) issues with us. If you don’t have formal client teams in place to serve clients like us, now would be a good time to start!”

We know that setting up effective client teams has been a challenge for many law firms and to the best of our knowledge, no one has yet to research what might constitute current practices with respect to basic issues like how many client teams to have, what expenses need to be budgeted for, how much time needs to be invested, and what some of the more common internal barriers have been. That said, this summer we initiated a survey to which 93 law firms kindly responded in detail to 16 specific questions. The responding firms were of a size range that covered a good number of the AmLaw 200.

Responding Firms Size:

100 to 250 Attorneys	57%
251 to 500 Attorneys	25%
Over 500 Attorneys	18%

We commenced our research by asking how many key clients the managing partner or firm chair visits with on an annual basis. This question came from remembering an editorial by Aric Press, editor of American Lawyer, reporting that 58% of firm leaders visited 5 or fewer of their clients. If your firm is at all like most, as few as five percent of your clients contribute 52% or more of your firm’s revenues. We also find, from our work, that a rule of thumb exists wherein for every hundred attorneys a law firm usually serves, there are about 10 clients who generate in excess of $1 million in revenues. One would therefore conclude that the managing partners of these responding firms have a good number of key clients to be investing their time in nurturing.

While 95% of the Managing Partners and Firm Chairs visited with some clients, we discovered that an overwhelming 84% of the respondents visited 15 or less of their key clients each year. And the responses didn’t change significantly across firm size.

Visited 15 or Less of the Key Clients:

100 to 250 Attorneys	92%
251 to 500 Attorneys	87%
Over 500 Attorneys	76%

Visited 10 or Less of the Key Clients:

100 to 250 Attorneys	77%
251 to 500 Attorneys	79%
Over 500 Attorneys	47%

We then asked these firms how many of them had "formally organized client teams." Now some law firms hold the view that every time they organize a group of their attorneys to handle some protracted litigation or a significant transactional matter, they have in fact formed a client team. So for our purposes we included this definition: a multidisciplinary group of attorneys who come together periodically to determine how to better serve one of your firm's key clients. 80% of our respondents affirmed back to us that they did indeed have a formal client team and as one might expect, the numbers drop off concurrent with firm size. While 100% of the Over 500 attorney group claim to have formal client teams, only 63% of the 100 to 250-attorney group responded affirmatively.

We have all heard stories about how, rather than being strategic, some firms seem to have adopted client teams as though it were the latest fad, with boasts of having anywhere between 75 to 120 companies in their *'exclusive'* key client program. We were relieved to find that only 12% claimed to have more than 20 organized client teams and that 74% had a very manageable collection of less than 10 active teams. Those that claimed more than 20 client teams were the firms in the largest size range and indeed, mostly in those firms of 1000 or more attorneys.

How Much Time And Money Is This Going To Take?

One of the guidelines that was shared with us, some years back, by a global law firm 'first mover' with client teams with respect to the time required was the following:

CATEGORY "C" CLIENT:
Fee level of $ 200,000 – $ 500,000 in annual billings
Invest 30 non-billable hours per core team member

CATEGORY "B" CLIENT:
Fee level of $ 500,000 - $ 1,000,000 in annual billings
Invest 40 non-billable hours per core team member

CATEGORY "A" CLIENT:
Fee level of $ 1,000,000 and above in annual billings
Invest 50 non-billable hours per core team member

We were eager to find out how many hours (on average) each client team member was devoting annually to meetings and non-billable activity on behalf of their specific client. Here is what we were told:

Non-billable hours devoted to a client team:

0 – 15 hours annually (slightly over a hour a month)	36%
16 – 30 hours (roughly 2.5 hours a month)	42%
31 – 50 hours annually	12%
Over 50 hours annually	10%

Those firms spending the most hours according to our respondents were in the firms of between 100 to 250 attorneys, while (you guessed it!) those spending the least were in the largest firms – with 60% of the respondents in those firms of over 1000 attorneys claiming to spend 0 to 15 hours annually – almost enough time for a monthly gathering to get a free lunch.

In addition, 63% of all firms (of all sizes) reported having **NO** budget specifically allocated to support their client teams. When we then asked (irrespective of whether there was a specific budget) which items accounted for the most expense, client hospitality and entertainment was the primary item cited by 71% of the firms. Not a single one of the firms responding cited any expense associated with client activity like trade publication subscriptions, corporate intelligence software, or secondments; and only 4% of firms (none over 500 attorneys) identified a budgetary item for satisfaction surveys, while only 6% spent any money on client research.

To further complicate matters we asked our firms how many of their formal client teams had actually created a specific written plan identifying how they would work with the client to fulfill their objectives. Based on what we've already disclosed it should come as no surprise to find out that an overall 30% reported that they did not have a written plan for any of their teams (43% for firms of 100 to 250 attorneys and 41% for firms between 251 to 500 attorneys); and another 53% claimed to have a few formal plans developed.

Finally, in this same category of questions we ask firms how often their Client Team leaders met as a separate group to share best practices, market intelligence and issues of common concern.

How often client team leaders meet:

Never	57%
Yearly	9%
Bi-annually	12%
Quarterly	14%
Monthly	8%

One would assume after reviewing all of these responses that the primary activity of formal client teams is to meet occasionally (only 14% of the client teams reported meeting monthly), conduct the anomalous client seminar (16% of all client teams claim to do that much); but otherwise simply wine and dine key clients, take them to social events and the like.

Is Anyone Really Listening?

One of the more common questions that emerge when firms contemplate setting up client teams is: "which clients do you select to actually form a client team around?" We have offered advice to firms on this issue for a number of years now largely based on what extensive and empirical research regarding client satisfaction was telling us. We were now curious to learn how firms actually made their choices. What follows is the primary criteria for why firms are structuring formal client teams:

Most important criteria for forming a client team:

31%	Potential – the possibility of increasing our billings and cross-selling our services
28%	Annual billings – how much business we are currently doing with the client
15%	Retention – protecting our position with this client
11%	Satisfaction – improving the client's overall perception of the value that we deliver
6%	Focus – the client represents a targeted industry, sector or location

Other criteria reported included whether there was the potential to obtain referrals, whether this client conveyed a sense of esteem in our serving them, and the internal need for succession planning – moving this client from an older responsible attorney to some younger partner.

We were reminded once again of the cautionary words of an esteemed General Counsel we had once discussed client teams with: "Most of these efforts are defined and managed to serve the firm's interests. To us they are nothing more than thinly veiled sales campaigns. Someone comes in, asks how their firm is doing and if we dare say okay, they then want to immediately introduce us to some of their other lawyers."

In spite of reams of research from corporate counsel surveys conducted over the past decade in the U.S., the UK, and Australia all reporting on the importance of improving the client's satisfaction, this criteria rated 5th most important and wasn't cited by one of the firms of over 1000 attorneys and barely registered for those in the 501 to 1000 category. We wondered why that was the case and then remembered an anonymous blogger responding to the General Counsel of Cox Communications' comments in the WSJ last July on the salary increases for first-year associates.

> *If Mr. Hatcher is really so pissed off about the salary hikes, why doesn't he fire all the firms that hiked salaries and give those matters to those little firms that can't afford to raise salaries? Go ahead. For all those GCs who constantly say that there's no real difference between the $200 / hour lawyer in say Kansas vs. the $500 / hour lawyer in NY / Chicago / LA, why don't you put your money where your mouth is and fire us? Have those firms take over your major transactions and litigation. Oh wait, that's right, you won't. You won't because after you're done whining to all the reporters about the salary hikes, after you've whined to all the other GCs you know, after you've filled out survey after survey about how you're so mad . . . you know that when it really counts (like when your job might be effected), you NEED the large firms that have the ability, experience and sheer brainpower to tackle your toughest issues.*

One wonders how this may yet play out in a recessionary economy . . . or with the advent of further convergence. Interestingly, 46% of our survey respondents in the over 500 attorney category reported that within the past two years they have experienced more than 20 clients reducing the number of law firms they use. Another 40% of the largest firms admitted that "they simply didn't know" how many of the clients they served had gone through some form of convergence.

There is no escaping the fact that firms face some serious challenges retaining their top talent in a rapidly stratifying market. At the end of the day, what really drives the bus everywhere is the strength of your corporate client base. If you are not able to keep your corporate client base strong (your crown jewel clients) it makes it hard to retain your strongest players (your crown jewel talent).

So, What's Holding Us Back?

In moving forward with client teams or any innovative initiative, it is often helpful to find out what some of the barriers to making progress might be. We therefore asked firms to identify the internal barriers preventing their firm from achieving the fullest potential from their client team efforts. Here is what they told us:

Most prevalent constraints impacting you having effective client teams:

#1 the primary relationship partner isn't interested in developing a formal client team (55% of the respondents)

#2 the firm has experienced difficulty in sustaining momentum (54% of the respondents)

#3 the partners are unwilling to invest sufficient time (48% of the respondents)

#4 the partners are willing to invest time but are not sure how to maximize their effectiveness (40% of the respondents)

In the case of the primary relationship partner not being interested we are talking about lawyers being lawyers; they tend to react to any initiative, program or system by seeking out the wrinkles that advantage themselves most directly. Having said that, it is clear to us that your firm's Client Team initiative needs to be designed to discourage the worst excesses of the self-aggrandizing "stars" and to cause a focus on what is best for the firm. In the end, the "stars" must understand that client teams will greatly benefit them personally as well as benefiting the firm.

In the case of partners unwilling to invest the time, we continue to be struck by the number of law firms throwing money at billboards in airports and other silly and expensive promotional gimmicks. So here's a radical gesture, why don't we take that pool of funds and credit our attorneys for the time they spend actually doing something to develop and nurture the firm's best clients. And then at the end of the year you could do a review and see which of these two efforts (billboards or time with clients) will have provided you with the most discernable and measurable return on your investment!

Where To From Here?

Our final question was to elicit a sense of how many new clients (if any) were firms planning to add to their formal client team roster in the next 12 months. 3% of the firms (mostly from the 251 to 500 attorney range) asserted that they would actually be reducing the number of their client teams. 36% of the firms (of all sizes) stated that they are planning to keep their client teams to the number they have now; which left 61% of respondents reporting that they planned to increase the number of client teams in their firms.

In an article we authored entitled *Protecting Your Crown Jewels* we cited some preliminary research into those law firms who stated that they have active Client Teams or some manner of formal client care program. At that time only12% claimed that their efforts were "very successful," while 29% view themselves as "moderately successful" (a somewhat suspicious answer that we took to mean "feels okay, but hard to see any measurable return"). For the remaining respondents, 36% were "neutral," 16% "moderately unsuccessful," and the final 7% admitting a "very unsuccessful" effort. Fast forward three years and one wonders whether anything has really changed.

At that time we also offered our prescription for a successful client team program and some key principles that we considered critical:

1. Commit an enthusiastic team (3 to 5 lawyers) to an appropriate amount of non-billable time (at least 30 extra hours each) and a sensible process focused only on enhancing this client's service. The increased revenue will follow.

2. Form an exclusive club. Don't just call it exclusive or your key client program and then open it to any client just based on their fee expenditure with your firm.

3. Less is more. Less clients in the club, less activities committed to (but make them good), makes for an initiative you can deliver on and creates that exclusivity that you can promote to your very best clients.

We repeat those principles again, as our latest research here does not seem to give us comfort that enough firms have yet to understand how to make their client teams work effectively. We subscribe to the view that you really can't understand how to solidify your relationship, enhance your service offering or even get more and better business from any client, until you truly understand that client. We remain convinced that the strength of your client relationship is the extent to which your firm is prepared to invest in providing extraordinary service. The payback to your firm is repeat business, higher share of wallet, more longevity in the relationship, and a willingness on the part of the client to refer others.

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