

the D.C. 20 Revenues and Profits of Washington's Top Law Firms

Before You Say, 'I Do'

Partnering with a client may make sense, but only under certain circumstances.



BY FELICE WAGNER

When it comes to formal partnering relationships, I believe that law firms are getting a bad rap. For years, we've been hearing the same things: *Law firm leaders just don't get it. They're too reactive. They don't understand what partnering really is. They wrongfully believe that partnering is a win-lose proposition. They lack market vision.* The list goes on.

Perhaps there is some truth here. We all know that the last place you'll find most law firms is on the cutting edge—whether that means trying new technologies, experimenting with alternative billing arrangements, or establishing sophisticated partnering relationships.

But having been an active participant in several partnering relationships, I have seen firsthand the good, the bad, and, all too often, the downright ugly. Based on my experience, it seems that a great deal of the partnering criticism directed at law firms is either unjustified or misdirected.

Since much of the talk surrounding partnering in the legal industry stems from the push to apply business principles to the practice of law, I was shocked to learn from Neil Rackham's book *Rethinking the Sales Force: Redefining Selling to Capture Customer Value* that "[t]he failure rate of these relationships is high. A common statistic, one that most experts in the field seem to accept, is that 70 percent of these [partnering] arrangements collapse within 12 months."

If this failure rate exists in the business community, where they've had a lot more time to work out the kinks, you have to think twice about the criticism directed at lawyers.

Does this mean firms should avoid entering into partnering relationships with their clients? It depends. Here are six key questions every firm should consider before entering into a formal partnering relationship.

1. Are your values aligned?

Values are a set of shared beliefs that explain why people and the companies they work for do what they do. Because values drive behavior, it is extremely important to the success of your

partnering relationship that the values of your respective organizations are aligned. Some values, such as a commitment to continuous improvement or client satisfaction, are easy to identify. Other values can be more difficult to decipher. Pay close attention and ask yourself the following questions:

- Are the actions of the people at your prospective partner consistent with the stated values?
- Are the legal department's stated values different from those of the entire organization? If so, why?
- Are other departments of the client involved in partnering relationships? If so, how do these relationships compare with the relationship proposed by your prospective partner?

2. Will helping the client achieve its goals and objectives also further your firm's strategic direction?

Partnering with clients whose needs match your firm's strategic focus is simply good business. It makes it easy for firm leaders to support the partnering effort, which in turn increases your chances of success. Also, it increases the likelihood that your efforts will create new value for your client-partner. Finally, it's an opportunity to create new value for your firm in the form of valuable experience, as well as new processes, services, or infrastructure that you can leverage to win new business from similar clients.

To the extent that your prospective client-partner's goals and objectives are inconsistent with your firm's strategic direction, be wary of entering into a formal relationship with them. For example, suppose your firm is seeking high-margin business, and a significant percentage of the business it will receive from the client-partner is low-margin commodity work. Not a good sign. However, suppose also that the marquee value of this client will give your firm a high level of credibility in the marketplace and open doors to new, more profitable opportunities. Carefully consider the costs and benefits of the relationship in light of firm goals until you feel comfortable that you have pinpointed what matters most.

3. Will you have access to your client's goals and strategic objectives?

If you don't think you will have access to your client-partner's strategic legal and business agenda and the people who

set it, you probably won't have a successful partnering relationship. Your ability to offer win-win solutions is severely limited without this access.

With respect to specific legal matters, it is axiomatic that any client should involve you as early in the process as possible, though many don't. In a formal partnership, however, the relationship is too deep and there is too much at stake to overlook your client's modus operandi. A client-partner with poor matter-management skills isn't like a casual friend failing to return a call, it's like a spouse failing to include the other spouse in family planning.

Talk to all of the attorneys in your firm who have worked with this client in the past. What is the client's approach to matter management? Is it possible to generalize across the entire legal department, or does behavior vary from one group to the next? Whatever you discover, remember that old habits die hard—even with formal partners.

With respect to general business objectives such as reducing costs, improving quality, or reducing case cycle time, your client's people should be willing to involve you in setting these goals—and willing to discuss how you can help them accomplish their goals. Potential partners who have no intention of involving you in their strategic agenda yet place on you all of the responsibility for changing are not looking for a partner. They're looking for a vendor.

4. Are you willing to commit the time and resources to make any necessary changes to create value?

When a partnership fails, it is often because one partner is not willing to change. We heard from one law firm that discovered, after making significant staffing changes and investments in technology, that all the talk of partnering by in-house counsel was nothing more than a cleverly disguised cost-cutting campaign.

A partnering relationship, by definition, should be like a 50-50 joint venture. In other words, each partner has to give an equal amount. The new entity should not be a carbon copy of one partner's way of doing business. Instead, it should represent a new, coordinated approach designed to maximize value for both partners.

5. Do your capabilities align with your client's needs?

When it comes to partnering, corporate clients usually want value to flow not just from your technical legal expertise, but also from additional services such as special billing and reporting, work-product packaging, or new knowledge-sharing technology. Your ability to successfully deliver will depend on effective collaboration at multiple levels. For example, members of your respective IT departments might need to work together to build a shared knowledge base. Or members of your billing department will need to partner with your client's accounts payable staff to design special billing and reporting systems.

Before you establish a formal partnering relationship, assess your firm's capabilities vis-à-vis your client's legal and nonlegal needs. You cannot afford to make any assumptions. Carefully consider your ability to deliver value across many functions. You can start this assessment by looking at the ways your firm and your client have handled cross-functional relationships in the past. If your experiences are limited or have been unsuccessful, it might be wise to pass on the opportunity or to enter into an agreement with less ambitious objectives.

6. Is there enough potential for creating new value to justify the implementation costs and nonbillable time?

A partnering relationship will require your firm to redesign work processes, link systems, provide special billing and reports,

and participate in corporate client initiatives that are not necessarily directly related to the practice of law.

What you will do differently in this new relationship has to create value that doesn't already flow from your current activities. This means asking your prospective partner some very tough questions. Unfortunately, law firms often shy away from such questioning because they fear harming the burgeoning relationship. Don't make this mistake. If your relationship can't survive a pre-commitment assessment of the risks and rewards of the relationship, then it is highly unlikely to survive at all.

MAKE A DECISION

The decision of whether or not to establish a formal partnering relationship is one of the most important decisions law firm leaders will make. Fortunately, there are ways to make timely decisions while minimizing the risk that these decisions are wrong for your firm. First, use the criteria set forth above to gather information and to assess the relationship's potential. Then, make your decision without delay. As Colin Powell advises in his book *My American Journey*, "Don't take action if you have only enough information to give you less than a 40 percent chance of being right. But, don't wait until you have enough facts to be 100 percent sure, because by then, it is almost always too late. Once the information is in the 40 percent to 70 percent range, go with your gut." Follow this approach to partnering opportunities and you will minimize your regret for those you forgo and maximize your commitment to those you accept.

Our life experiences tell us that the best personal relationships do not develop by plan. Instead, they develop naturally and coalesce into a shared realization that the value of the union is greater than the sum of its parts. Similarly, the best partnering opportunities rarely occur with companies that are already dead-set on establishing formal partnering relationships, often through a lengthy RFP process. They occur with clients with whom you are intimately familiar.

Despite knowing that existing clients are the best source of new business, many lawyers spend a disproportionate amount of their practice-development time attempting to win business from new clients and responding to formal partnering overtures from clients they don't know well. This counterintuitive behavior is due to the way firms reward, recognize, and account for business development efforts, and to the simple fact that the thrill of the chase is more fun. Unfortunately, acquiring new clients is many times more costly and less profitable than acquiring new business from clients you know well.

Smart firms are entering into lower-risk partnering relationships with clients they know well while they fortify their infrastructure and institutionalize the partnering approach. The lessons learned in these relationships can then be marketed to new potential client-partners and differentiate the firm from others seeking the same business. With this approach, law firms can minimize their risk and lower their marketing costs while maximizing their chances of creating a successful partnership.

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