

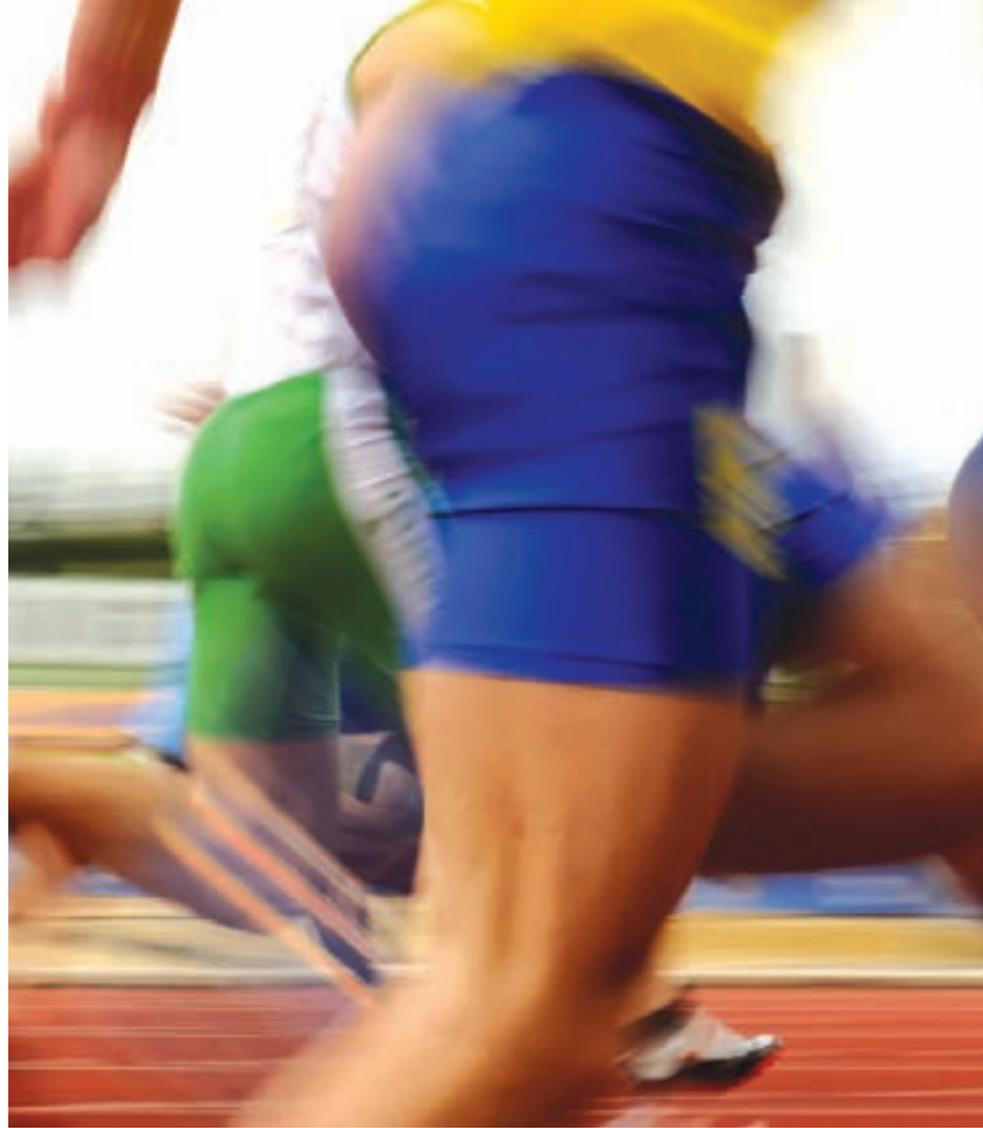
Many in the legal profession think of competitive intelligence (CI) as a tool firms can use to see what other law firms are doing in the marketplace. It is, however, much more than that. In fact, at a recent conference on competitive intelligence, I made what some called an absurdly bold statement. To an audience filled with people who do CI research, I said: “You are the future of the legal industry.”

So what is meant by ‘competitive intelligence?’ It can be described as sophisticated research that leads to relevant information which, when analyzed, provides insights and guidance that influence critical strategic decisions. Or more basically, you could say that CI leads to the information you should use to run a law firm effectively.

Competitive intelligence can guide strategic planning decisions, such as whether to enter new markets or expand existing practice areas. Lawyers are forever making statements like: ‘We really need a class-action practice’. With CI, you can actually learn how many other firms already own that market; whether there is pending legislation that would soften or enhance the market; how many current clients are, or may be, facing class actions already; the industries in which those cases may be most focused in the future; the rates or fee structures most typically applied to class action work; and much more. Similarly, CI-based analysis can be used to address matters such as merger due diligence and brand positioning. There is a well-known phrase: ‘To guess is cheap; to guess wrong is expensive’. Using CI, you are not guessing.

#### Client intelligence

One of the most under-appreciated uses of CI, however, is how it can be used to enhance and grow existing client relationships – principally through improved service. Many firms are trying to develop the concept of ‘key client team meetings’. Although such meetings are generally a good idea, no such meeting can be effective without



#### Competitive intelligence

## The competitive edge

A sophisticated competitive intelligence program is as useful for understanding clients’ markets as the firm’s own. Demonstrating this awareness can play a key part in winning and retaining business.

**By James Durham, trainer and former chief marketing officer, Ropes & Gray LLP**

a comprehensive understanding of everything that is important to clients.

And that means everything! Not just who the client’s competitors are, or what products or services they sell, but also how they make money, where they would like to (or could) save money, what keeps them awake at night, and in some cases, what makes them look good!

Research I have seen from The BTI Consulting Group suggests that the qualities in lawyers that clients describe as the most important, and also the most scarce, are: being client-focused, demonstrating a willingness to help, providing ‘value’ for the fees charged, and understanding the client’s business. Most lawyers think they know their

# TEN POINTERS FOR EVERY PROSPECTIVE

IN ORDER to maximize client service and development opportunities, lawyers must fully understand the culture, goals, opportunities and needs of a client or prospect. You should develop the equivalent of a dossier on any company with which you work or want to work.

There is no such thing as having too much information when it comes to developing a service improvement or sales strategy. However, although information gathering is critical, it is of little value if you do not apply strategic, creative thinking to what you learn. To be most effective in keeping, growing and attracting clients, the information needs to be used to propose ideas and solutions that will help a client or prospect to: make more money, save money, sleep better at night, or look good (to superiors or peers). That turns 'selling' into helping or advising.

I have asked many clients of law firms if they would have a problem with their lawyers asking the kinds of questions listed below. Although their responses vary as to the level of detail they are comfortable sharing (depending on the strength of the relationship), almost all said they wished their outside counsel knew more about their business's strategic direction, competition and operational challenges. Clients do not, however, want to pay lawyers to learn about their business.

1. In what markets is the company principally competing for business, and what is happening in those markets? Who are its competitors and who are its customers and prospects? Are there significant industry trends, such as consolidation, price pressure, class action threats, technology advances, and so on. Keeping people awake at night? What strategic business opportunities does the client have? What resources or introductions does the company need to succeed? What is the company's corporate structure? What is its geographic location?
2. What is the company's financial status? (Determine its short-term and long-term financial goals.) Has it faced, or been involved in, any recent operational changes, deals, threats or litigation that might impact finances?
3. What is the company's long-term strategy and vision? For example, does it want to grow organically, or through mergers and acquisitions? Is it moving towards a public offering? Does it hope to get acquired, diversify product lines, become more global, dominate a regional market, and so on?
4. What are the primary personal goals and concerns of the individuals at the business who hire the lawyers? How are the people who hire the lawyers judged and rewarded? What makes them successful?
5. What is most important to the people who actually work with, and interact with, outside lawyers? These are not necessarily the same people who hire outside lawyers. What makes the people who work with the lawyers look good, sleep better or feel more comfortable?
6. What are the personality styles and communication preferences of the decision-makers? Are they introverts or extroverts? Visual, auditory, or kinesthetic? 'Big picture' or detail-oriented?
7. What is the firm's total legal budget, and with which law firms and lawyers does the company currently work? Is the company anticipating any meaningful changes in its legal budget? Does it have a history of changing counsel? Does it have any innovative billing or staffing arrangements with other lawyers?
8. What specific legal work does the company need? What expertise would be beneficial to them? How is legal work currently allocated between inside and outside counsel? Are there any plans to increase (or decrease) the in-house legal staff? Are there any plans to consolidate legal work into fewer firms?
9. What, if any, outside counsel guidelines or standards are required for outside firms? If none, has the company discussed or tried any?
10. How satisfied is the client or prospect with the quality of the service and legal work of the lawyers at the firm, and how familiar is the client with the capabilities of the rest of the firm? How satisfied is the client with its other outside counsel?

Some of this information can be obtained from public sources; some can come from networking with accountants, underwriters, bankers and others who are familiar with the company; some can come from people at your firm who know people in the client's organization. But the best way to get this information is by meeting with the key people at the company.

clients' businesses, but seldom do they know them to the extent that the clients would like them to.

If you look at these qualities collectively, you are compelled to draw the conclusion that there is little more critical to a law firm's success than to have a meaningful CI program, and to use that data to support key client teams. Ideally, your CI research will help you know as much – or more – about a client's business and industry as the client does. Moreover, in order to provide extraordinary service, you also need your CI team to provide information on the individuals you serve within the client organization.

Simply stated, you cannot provide true client value without the deep knowledge that comes from a well-executed CI program. 'Value', according to clients of law firms, means giving the client something more than they hired you to do. If you are retained to assist with a transaction, the level of service and the quality of your representation are enhanced dramatically if you have insights into such data as the client's long-term and short-term strategic plans, leading competitors, what differentiates organizations in that space, the typical terms or approaches taken by other participants such as banks and brokers, and who knows who among the main players. It can even be important to know who represented the client in previous deals, and why those firms are not involved in this one.

Knowing all of this intelligence (and much more) is only valuable, however, if you use the information for the clients' benefit. CI should help you do things like streamline the deal process, enhance communication among the participants, and craft legal advice and business negotiations in the context of the client's strategic plan.

### Identifying opportunities

Better service can also mean more revenue. By providing everyone on a client team with a summary and analysis of the CI done for a client, the discussion at the key client meeting will inevitably

go beyond service delivery issues and competitive threats. The information will reveal opportunities for new business, and the team can build on that data to develop strategies for discussing those ideas with clients.

The good news is that the new business opportunities identified from CI efforts are seen as high-quality offerings to clients. CI leads lawyers to develop new ideas that inure principally to the client's benefit. In other words, your cross-selling efforts actually become value-added suggestions, and such suggestions are viewed as service enhancements by the client. For example, one law firm I worked with went to a client with information about pending legislation of which the client was unaware. The law would have a major impact on how the company approached international sales. The company welcomed the firm's offer to help prepare for the new law, which eventually passed. Hundreds of thousands of dollars of new business were generated for the law firm, but the client was thanking the law firm, not complaining about the bill. In another firm, the CI efforts led to an understanding that certain global political developments might put a client at risk. The client gladly retained the firm to help deal with those issues.

As one general counsel put it in a client interview I conducted: "If a lawyer wants to get business from me, they need to get to know me, my business, and my industry. Then they need to suggest specific ways in which they can assist me." CI allows you to make specific, relevant suggestions to clients, well beyond the age-old cross-selling approach that goes something like: 'Our firm has great real-estate lawyers; and we know that you have real estate work that other firms are doing. Can we set up a meeting to introduce you to our real-estate lawyers?' This cross-selling approach is not client-focused, has no inherent value for the client, demonstrates no understanding of the client's business, and expresses no willingness to be particularly helpful to the client. It misses every service factor expressed in the BTI research.

### Quality control

Some final words on the quality of CI. First, it needs to be made clear to your lawyers that even the best research is not perfect. If you show lawyers a list (allegedly) reflecting all the law firms who represent a client, but the lawyers know of one firm not on the list, they will tend to discount the research entirely. So it is important, in some cases, to qualify the CI data, and to explain the sources.

Second, the total mass of data that good research can uncover must be analyzed and summarized. The CI team should include at least one member capable of boiling a large volume of information down into a relevant, manageable document – a summary in which there are specific recommendations, highlighted areas of concern, and identified opportunities. If you give the lawyers on a client team a hundred pages of raw research data, you have given them nothing of value.

Finally, even though I have suggested that the CI specialists in law firms hold the keys to the kingdom, no amount of research from public and secondary sources can substitute for candid, in-person conversations with clients about what the firm is doing well, what it could be doing better, and what issues and challenges the client will need help with in the future.

As someone who has interviewed hundreds of law firm clients, I can assure you that the best way to find out what is important to a client, and what would be most valuable to them in the future, is to ask them. Client satisfaction interviews are a key component of effective CI as it relates to client service and client teams. But getting lawyers to participate in the client interview process is a subject for another day. ■



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