

Keeping In Touch

Gathering feedback from clients is too important to be left to chance—or turned over to billing partners.

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1. Our chief marketing officer wants to initiate systematic client service interviews. But many of our partners, and even some members of our management committee, believe that we don't need a formal program. They say that they reach out to clients frequently and argue that clients show they're pleased with our work by rehiring us for additional engagements. Who's right?

The CMO. Resistance to seeking independent feedback from clients is either a symptom of client hoarding, a sign of insecurity about the relationship, or both. Whether the cause is a compensation system that places too much emphasis on client control, a weak culture that fosters partner mobility, or something else, firms that don't seek independent client feedback will suffer.

Ten years ago, only a handful of leading firms interviewed their clients. Sometimes a former chairman or managing partner met with key clients to see how the firm was doing. Other times a visionary chairman conducted the interviews himself while still in office. Although these interviews were usually informal, the firms reaped tremendous benefits: stronger relationships, better insights into how their partners delivered services and how services could be improved, and—the Holy Grail—additional work. By allowing someone other than the billing partner to meet with a client, these firms also became much more receptive to cross-selling.

Today, independent client feedback is finally taking center stage in client development practices. The most competitive firms have gone to great lengths to modify their compensation systems, structures, and cultures to eliminate client hoarding. Lawyers at those firms work in client service and business development teams, often organizing themselves in matrices around specific clients, industries, and synergistic practices. Their clients are “owned” by teams of lawyers led by relationship partners, not individual practitioners. Team

leaders, team members, and firm managers all share an interest in gaining an objective understanding how well the team is working, from the client's point of view.

In addition, the marketing mantra that a firm's best prospect for new work is a satisfied client has begun to take hold. Improving existing relationships has always been easier than finding new ones, and in the age of the megafirm, it's more important than ever. Size breeds conflicts. Building big relationships across an entire firm has emerged as a solution for the conflicts that otherwise come with size. Clients also like it, as shown by the popularity of corporate initiatives limiting their number of outside counsel.

Although the question of whether to conduct client service interviews may be settled, the question of who should conduct the interviews isn't. Some believe that third-party, independent interviewers skilled at probing for insights produce the most useful feedback. Others believe that sending a firm emissary is better ["How're We Doing?," *The American Lawyer*, October 2005]. Sometimes it is an *éminence grise*; other times it is the CMO. Some firms launch programs using independent third-party interviewers and transition to their own teams as they learn the ropes. No matter what process is used, firms are better off with systematic, strong, regular feedback from their clients than without.

A word of warning: Firms must be prepared to act on the information they receive. Otherwise, clients won't believe they are being listened to. Clients are busy; interviews can be a burden. If action doesn't result from an interview, it can actually damage a client relationship. The firm would have been better off not seeking feed-back in the first place.

By the way, it's true that clients vote with their feet. Firms need to make sure that the first feedback they hear isn't the sound of a client's footsteps walking out the door and across the street.

2. About 80 percent of this year's Am Law 200 firms have multiple-tier partnerships. If the top New York firms are taken out of the equation, the percentage is even higher. In a world of profligate multiple-tier partnerships, does it still make sense for firms to measure their performance by average profits per equity partner?

For firm partners, average profits per equity partner continues to be the single most valuable published index of a firm's success, with revenue per lawyer following close behind. Profits per partner is, after all, the best measure of the owners' return on their investment, not unlike earnings per share in a corporation. However imperfect the data may be, profits per partner numbers paint a valid and important (albeit abstract) picture of the relative performance of firms.

There is a widely held view that firms adopt multiple-tier partnerships, or other nontraditional structures, for the purpose of juicing their numbers. For some firms, that is surely true. But for most, that is not the case. Instead, it is a function of the fact that the world has changed tremendously since Paul Cravath designed the

single-tier “up-or-out” partnership structure at the turn of the last century. Back then, and for well into the twentieth century, firms were comprised of white men who aspire to be partners and whose wives stayed home to raise the family, cook dinner, and occasionally entertain clients.

Today, to recruit and retain the best lawyers, firms need a structure that is attractive not only to male lawyers engaged in traditional marriages, but also to women, gays and lesbians, couples for whom marriage is optional and others for whom it is serial, single parents, and parents who share child rearing. What’s more, many of today’s young partners have no wish to spend their entire careers at a single place. They’d like to eventually move in-house, lateral to another firm, or work outside the law altogether.

The question that single-tier firms need to carefully consider is this: Are the new partnership structures at multiple-tier firms making them more attractive to competitive talent? Could that—and not creative accounting—be the reason for strong numbers at some multiple-tier firms?

There is no longer a one-size-fits-all model for law firms. In my client work, I have found that the permutations of nontraditional partnership structures are almost as numerous as the number of firms who have adopted them. That’s as it should be: To be effective, firm structure needs to address the nature of a firm’s practice (for instance, leverage, the need for service partners and practices), the market in which it competes for talent, the needs of clients and the firm’s culture.