

Building Client Relationships in a Downturn

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Building client relationships takes on added importance in a down economy. Here are the steps to help you continue to grow your practice.

(1) Understand your clients' needs. Become an expert in how your client's business is being affected by the economic situation so that you become an essential resource.

The legal departments in some industries, as well as their business leaders, are in crisis mode. The general counsel of a major auto maker recently told me that he expects his law firms to work closely with him to understand the legal ramifications of the issues his company faces.

Corporate legal departments need their outside lawyers to proactively provide advice and solutions. Information needs to flow faster than ever as the speed of change in the business and legal landscape accelerates. This is an opportunity to demonstrate to your clients how well you understand their business and how nimble and proactive you can be. In some cases, your clients are fighting for their jobs. If you can help them succeed in this unstable environment, they will be extremely grateful.

(2) Build your relationships. This is not the time to cut back on your budget for activities that allow you to interact with clients. If anything, you should be doing more client entertainment and educational activities. Clients will appreciate free CLE programs, alerts, seminars and webinars more than ever as long as they are timely and relevant to their business. They will make themselves available for productive luncheon meetings as well. They are busier than ever and some will be facing cutbacks in their departments.

Therefore, it is essential that your marketing efforts are tailored to your clients' needs. This means "show, don't tell," that is, demonstrate the value you provide to clients, rather than merely cataloging your capabilities. Be sure to include your team in these activities.

This is the perfect time for associates and young partners, many of whom will have available time, to become engaged and educated in client development.

(3) Convey a sense of urgency and empathy. Many of your clients are in extremis or are concerned that they will be soon. Your clients are engaged in rethinking everything from their current forecasts to their long-term business models. Their needs are urgent. It is essential to respond with concern and urgency.

The natural tendency of lawyers is to proceed cautiously and avoid risk. When rendering legal advice, dispense with the usual caveats and do the best job possible with the information available. This is not the time to let the perfect be the enemy of the good.

When a more deliberate pace is unavoidable, explain to your clients the risks to their business of moving too quickly.

(4) Be savvy about fees. Wise people in the legal industry have been predicting the demise of the billable hour as long as many young associates have been alive. This may be the year those predictions become true, or at least the year a significant percentage of matters will be priced using alternative fee arrangements. Clients have long demanded such arrangements publicly but privately have been more comfortable getting discounts off the hourly rates.

Some predict that the times are finally changing. Law firm leaders are reporting that they are entering into an increasing number of fixed-fee arrangements in litigation matters. They add that a portion of transactional matters, which are often more repetitive and therefore easier to predict, have been billed that way for some time. These arrangements may be negotiated in increments and may be renegotiated as circumstances change. They also may involve risk-sharing arrangements that allow the law firm to share in the gains if a matter settles early.

The advent of these arrangements is driven as much by predictability of costs as it is by absolute costs. There are risks, however; engaging in fixed-fee arrangements requires law firms to manage their matters tightly so that profitability is not sacrificed. Firms also will need to have a portfolio of fixed-fee matters to help manage the risks. Law firms that have the ability to manage such arrangements may achieve significant competitive advantage if demand for them increases.

(5) Tout the benefits of your innovations to your clients. If your firm is taking steps to manage costs and improve quality and efficiency, inform the clients of these changes. For example, if your firm is moving away from lock-step compensation for associates towards a merit-based system, make sure your clients know that you are paying associates according to their contributions.

We know that clients do not want to pay for inexperienced associates to become trained on their matters. Let them know how you are ensuring that they receive value from every lawyer on their team.

Likewise, if lower value work is being handled by inexpensive contract attorneys and partner-track associates are used for more complex work, this will result in higher associate satisfaction, more rapid training and lower turnover. Let them know that you are taking steps to address these issues in order to provide them with higher value.

(6) Be a friend in need. Many financial industry lawyers have become unemployed in recent months, and the hard times have only just begun. Everyone on your team has an opportunity to earn the gratitude of these lawyers by staying in touch and helping these lawyers with their job search.

I recently spoke with the managing partner of one of the many firms that had a strong relationship with Lehman Brothers. He said that his firm had done such an effective job of staying in touch with lawyers who had left Lehman that several significant new client relationships have emerged as a result.

(7) Stay out in front of market developments. The legal marketplace is always shifting; we are now in a time of unprecedented change. The focus of litigation will morph as companies fail or need to find new sources of revenue. Capital will begin to flow again and new vehicles will be created that avoid the pitfalls of Collateralized Debt Obligations (CDOs) and credit default swaps. The government will pass complex new laws and issue millions of pages of regulations that will change how your clients do business. Global warming and concerns about energy security will spur the creation of energy alternatives.

These developments, as well as many others, will create work for lawyers. Now is the time to stay current with these trends. There is an enormous advantage to being positioned early as an expert in a new type of litigation, investment product or legislative development.

(8) Create a business development plan. Business planning, like marketing, often takes a back seat when law firms are busy. Now is the time to evaluate potential prospects and how best to reach them.

Start with a review of your firm's strategic and marketing plans. Then create a cohesive plan that identifies overall business objectives, key action steps, milestones for achieving them and the financial and human resources needed to achieve the plan. If you have a plan to justify your business development budget, it is more likely to receive the support of firm management, particularly in lean times.

(9) Court your team. Corporate clients are very concerned about turnover among lawyers who work on their matters. The issue was articulated well by the head of litigation for a Fortune 100 company that spends more than \$100 million a year on litigation alone. He said that he views his law firm relationships as an investment because of the large amount of time he devotes to helping his law firms understand his company, his matters

and his company's processes for litigation. When any lawyer on the team leaves, he views that as a loss of his investment.

Many young associates and young partners are experiencing their first economic downturn. This is the time to let members of the team whom you want to keep know that they are valued and to communicate openly about the situation by balancing realism with the reassurance that this too shall pass. Now is an optimal time to train young lawyers to develop strong client relationships.

(10) Expand your cross-marketing efforts. It is easier to obtain new business from existing clients of the firm than to attract new clients, and this is true now more than ever. Now is the time to cross-market your expertise to your partners. Let your partners know how you can help their clients. Be as specific as possible by learning as much as possible about your partners' clients and their needs.

It is equally important for you to learn what your partners can do for your clients. Clients will be receptive to meeting your partners if you bring valuable information that helps them address the current economic situation. This will result in mutual benefit for your clients and your partners and, ultimately, for you.

This is the heart of the matter: You must work relentlessly to add value for your clients, particularly in these economic times. In countless discussions with in-house lawyers, we hear that, at the end of the day, the value they get from their law firms is far more important than the price. To borrow the tagline from MasterCard's long-running ad campaign, lawyers who deeply understand their clients' business and who perform as strategic business partners are priceless.