

Auditing Law Firm Relationships

Few would question the value of external financial auditing, even in legal partnerships where it is not a statutory requirement. It provides a valuable independent verification of the financial results achieved and of the accounting procedures used to calculate them.

Financial auditing, however, has little, if any value in terms of actually managing performance. It is essentially a "trailing" activity: It confirms post hoc what has occurred, usually too late to influence the activities that led to the outcome. Further, it indicates what has occurred but provides little insight into why it happened.

Most businesses find it far more valuable to have "leading" indicators of performance that can provide insight into the "whys." And client research is a valuable tool that when used alongside other internally focused methods, helps assess the effectiveness of a firm's operations and identifies emerging issues for attention.

Still, client research is used infrequently by law firms as a whole: We are regularly surprised to find even very sizeable firms which have never conducted independent research on their own client base. We know of few that use client research in a systematic way of complementing other management tools to flag emerging opportunities or problems, and to monitor the health of one of the most vital assets of their business, client relationships. This is a serious omission.

In essence, client research is simply a structured approach to finding out from clients how adequately the firm currently meets their needs and expectations, how well it performs on these criteria compared to competitors, how clients see their needs developing in the future, and what the firm needs to do to strengthen its position.

Questions like these are raised in many of the interactions between a law firm and its clients to some extent or another. By and large, however, the focus of such interactions is on completing the current matter and, therefore, tends to be a task-oriented, shorter-term focus. In addition, partners may have little time or inclination to focus on higher-level issues. Even when they do receive valuable input from clients it is often somewhat anecdotal (Is this a one-time occurrence or an indicator of an ongoing trend?) and there may be no structured way of sharing this information with a wider group of partners.

Human nature can also conspire against obtaining more critical information: A client may feel reluctant to be fully frank in giving feedback face-to-face to a partner (who may, after all, have become a friend) and even if such criticism is given unambiguously, the partner may not "hear" what is being said. He may become defensive in reflecting on it, and convince himself that it is invalid, or addressed at his firm rather than himself, or is the client's fault anyway.

Clients' views are always extremely important, but few firms have any formal, structured process for capturing their perspective more broadly to ensure that a firm will continue to meet the needs and expectations of its clients better than competing practices.

So why don't firms conduct client research more systemically?

There does seem to be a good deal of misunderstanding about the value of client research within law firms. A widespread view is that it is some kind of "extra" since no external research firm can understand the partners' clients better than the partners do themselves. Some of the arguments we hear against conducting client research include:

"Our partners know the market very well; they certainly know our clients better than anyone. They talk with them and do business with them regularly, and they naturally act on this knowledge. How can researchers

tell us anything we don't know already?"

"Conducting research via questionnaires or interviews will upset our clients. They'll see it as a nuisance and an intrusion."

"It will reflect badly on us. Our clients will be surprised that we've called people in to do this work. They'll wonder what is wrong."

"We don't need to spend more time finding out about our clients. It's our non-clients we should research. We would like to know why they don't hire us."

All these types of objections assume that a firm already has the information it needs, or that the knowledge each individual partner and associate has already is sufficient to ensure that the relationships are optimally managed.

Our experience contradicts this benign view of the world. We find that even in extremely well-run firms with an excellent team of partners who share a strong sense of client care in service management and delivery, a formal client research program will produce new insights and increase everyone's sensitivity to the key concerns of clients. Where the firm or practice group is less well-run, the findings can be a life-saver.

Types of Research

There are several types of research programs which may be suitable for understanding client perspectives. Three of the more commonly used

Market or sector buyer studies, which aim at researching representative samples of the market including non-clients as well as clients;

Client-focused usage and attitude studies, which concentrate on a selection of clients (and often referrers, too) to explore how they perceive a particular firm's image, current capabilities and potential in relation to their own needs and wants, and in comparison with competitor firms; and

Client satisfaction surveys, which are usually periodic studies with the specific aim of monitoring clients' service expectations and their level of satisfaction with the firm's service performance, and which supplement the normal regular interaction between a client and its service partner.

The market-level studies are often syndicated among a number of unidentified participating firms in order to share costs and to benefit from a wide sample of buyers, usually several dozen or more. The scale of the study means respondents must give answers within a strongly structured questionnaire, mostly pre-coded for analysis. This quantitative approach is useful for capturing general buyer perceptions of the market, but tends to gloss over or submerge the particular views of any one set of clients.

In contrast, participants in usage and attitude studies will include a significant focus on actual clients, while client satisfaction studies are drawn only from a firm's own client base.

Both can usually achieve virtually 100-percent response rate if a partner who is well known to the client makes the initial contact and the study is seen as a serious contribution to enhancing service performance. The use of mailed or e-mailed survey questionnaires is widespread, but can be perceived as trivializing the assessment process, particularly when they adopt a "tick box" approach like those of hotel and airline companies.

Both usage and attitude studies and client satisfaction studies can include some quantitative rating scales to compare a client's experience of service performance with the expectations they hold across a range of relevant criteria, or with their experience of service provided by key competitors.

Such criteria might fall under several headings, such as understanding of the client's business, quality of working relationships, and service delivery characteristics, among other things. The focus of such studies will be on the client's actual experience over the past one or two years, or after the completion of a major transaction.

Client satisfaction studies should follow some regular cycle of assessment, with the firm's most important clients being surveyed most often and a sample of less vital clients surveyed on a recurring, rolling basis.

Partners need a clear understanding of how clients perceive the firm. Such an understanding can inform decisions about how partners should be developing the firm and its services; identify areas in which it is currently failing to deliver; identify areas in which it is vulnerable to losing clients to competitors, and enable partners to begin to shape the firm to meet clients' future needs.

Conclusion

The feedback process requires skilled management if partners are to receive the findings in a constructive way, even if most of them readily accept that "the voice of the client" demands attention. The quality of the information must be high enough and the messages clear enough that even uncomfortable feedback is accepted and acted upon.

Interested in Learning More About Legal Hiring? Read the Definitive Guide:

[How to Hire a Legal Recruiter for Your Law Firm: How Law Firms Recruit Attorneys Using Legal Recruiters](#)