



Masterclass

Taking the high road

A guide to boosting the top line

In recent years, significant emphasis has been given to improving the bottom line, through cost cutting and/or reducing overheads. But ultimately the only long-term route to profitability is to increase the top line.

The most well-worn cliché in the marketing of business-to-business services is to offer to impact the bottom line. Promising bottom-line results sound commercial, but it's only half the profitability story. It can be fundamentally misleading when it focuses attention on over-enthusiastic cost cutting at the expense of efforts to boost the top line.

Almost by definition, there are only two ways to increase profitability:

1. Increase the amount that can be carried to the bottom line from the top line (cut costs (especially by leveraging cost of delivery), and reduce overheads);
2. Boost the top line itself, that is, increase sales.

Of the two, only efforts to increase the top line fundamentally create wealth, but doing so often requires considerable time, ingenuity, financial investment and difficult-to-manage behaviour change. It can, therefore, be much more tempting to tackle profitability through cost cutting – which may explain why many businesses (in all sectors) go down this route. But of course it has much less potential value:

- While it is important to run a tight ship, there are diminishing returns to be gained through reducing costs;
- While it gives attractive quicker wins, these will be short lived;

By Andrew Bass and Paul Clusker

- Overdoing the cost cutting weakens the firm – service quality can suffer and clients quickly notice;
- Cost cutting does nothing to prepare the business for change in the business environment;
- Cost cutting produces an internal focus, away from the client. Such thinking diminishes the value proposition upon which future success depends;
- Fundamentally, although you end up with a bigger slice of pie, the size of the pie itself remains fixed at best.

Ways of improving the top line are largely about enhancing and communicating a clear value proposition. That means:

- Better, more tailored offerings of fundamentally higher perceived value to the client;
- More attractive marketing;
- More effective sales (the focus of these articles).

Traditionally, the professions have been rather coy about the idea of sales. Firms have always been involved in convincing people to exchange money for a service, but it's only relatively recently that many firms have even had a marketing department.

But with a trend towards an oversupply of high-quality professional

services, together with general worries about the economy, change is afoot. The most recent annual 'Financial Management in Law Firms' report from PriceWaterhouseCoopers notes with approval an increase in spending on sales training in top firms, and urges more of the same. And firms are starting to talk specifically about sales rather than, for example, the rather less threatening 'business development'. For instance, Katie Dignan of Pinsent Masons has a job title that uses the word explicitly (see box two).

The cultural barrier against sales in the professions

While we are seeing some signs of change, it's fair to say that to many professionals, the terms 'selling' and 'salespeople' still invoke the stereotype of the used car salesman sporting a fake smile, tan and Rolex, together with genuine white socks. And there's an unbridgeable gulf between this smooth-talking caricature on the one hand and appropriate professional behaviour on the other.

While most firms are comfortable talking about marketing, when it comes to the necessary process of getting a go-ahead from a client, they tend to find it more acceptable to use phrases such as 'business development'. The trouble is that the comfortable terminology enables people to let themselves off a crucial (albeit potentially uncomfortable) process. Venture capitalist John Handley (see box two) says that it's easy to have lunch with an existing client, or a friend



who sends you work from time to time, and call it business development. But that should not be enough to satisfy yourself that you've done your bit commercially. Of course it's vital to keep up valuable existing relationships. But it's not a substitute for developing new business.

Much of the distaste for selling is based on the used-car caricature that we think is simply invalid. Modern processes for selling high-value services are a million miles from jamming a foot in the door, and are completely compatible with, and indeed complementary to, individual and firm professionalism.

Why is it so important to change?

We are taking it as axiomatic that a shift to a proactive sales approach is a powerful source of competitive advantage. Good selling is about understanding the client so well, and presenting the solution to their problem so clearly, that they cannot help but go ahead. Ideally, selling and advice-giving should form a continuous process that provides clear value in the client's terms.

A practice-area head from a leading commercial firm told us: "Best practice is to make sure that advice is just that. Rather than reading a treatise on the law as it relates to their problem, the client should know by the end of the first paragraph exactly what course of action their lawyer is recommending."

In contrast, the Clementi Report (chapter F, para. 15) draws the attention of the reader as diplomatically as

possible to the following: "Research carried out by MORI shows that lawyers are not universally seen as customer focused, approachable or easy to comprehend."

It's perhaps trite to say that there are huge opportunities for firms that understand their client's concerns and communicate their advice without expecting clients to learn the law, and who make any experiences in the legal area as comfortable as possible. But what may be less obvious is that the sales process is an excellent, often unexploited opportunity to do so. The changes required are behavioural and require little or no capital investment. They are not necessarily easy to do, however.

Challenges of behaviour change

It's a simple truth that to produce new results in a given situation, people need to do new things. This is true whether the objective is to win more business, collaborate better as a team, be more effective as a leader, handle complaints effectively, collect overdue accounts or achieve any other of a myriad of practical objectives. When behaviour change is required, the solution often reached for is to issue requests or instructions (how much easier would management be if that were all that was required), or provide training. But the results of training programmes are often disappointing. People can then conclude, incorrectly, that:

- Training is necessarily ineffective;
- You cannot change behaviour much.

Unfortunately, many training departments (again in all business sectors) perpetuate this dynamic by supplying training programmes to their organisation when they are insufficient or inappropriate means for achieving the desired results. And, of course, external training providers may not be enthusiastic to reject a client's request for a course that's unsuitable.

Training can be effective, and may be a vital part of a change programme, but only if culture and attitudes are taken into consideration too.

The key role of culture and attitudes

Most people can sit or stand up and speak intelligibly on the state of their daily work, current projects, issues affecting them and so forth, and indeed will talk shop with their colleagues for hours. However, many of those same people, when asked to sit or stand at the front of a room of 50 people and talk about the very same thing, are immobilised – as if their capability is somehow switched off when they change situation. Figure one provides a way:

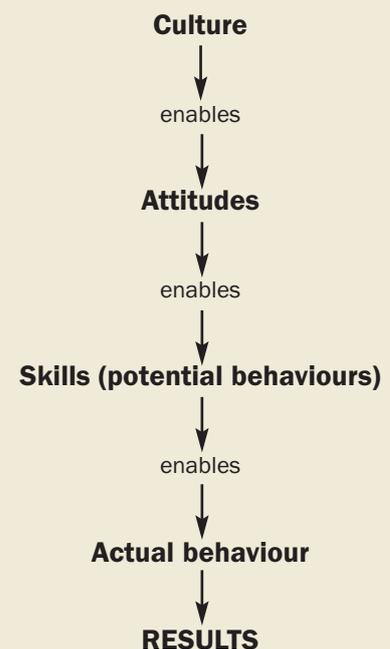
1. To make sense of this;
2. Of understanding the purposes and limits of training;
3. Of knowing how to change the situation for the better.

In the figure, each level is switched on or off by the one above it. If a reluctant presenter has the attitude (reinforced by cultural assumptions) that to talk in public is to run the risk of embarrassment or humiliation, then their talking skills are disabled – they don't produce the required behaviour. No amount of skill building will help such a person unless it also addresses their attitude, which will mean tackling culture.

But what actually is culture?

A lot of people talk about culture, but what do they mean by it? Put

Box one: Culture and attitudes



Box two: View from a law firm*Katie Dignan, head of sales development, Pinsent Masons***Your title has changed to include the word 'sales'. What's the story behind that?**

When my role changed I was keen to 'tell it like it is' and wanted my job title to be descriptive of what I do. Sales is what it's about. It's fundamental to the success of any law firm that they train the partners of the future and ensure that today's partners realise they are the firm's salesmen.

Traditionally, lawyers have been a bit coy about selling – what would you say to someone who thinks that selling is inconsistent with being a 'professional'?

The professional-services arena is unusual in that those doing the work are also the salesmen and women. The important thing is to sell in a professional and appropriate manner, and in a way that is consistent with your personal style. As I see it, it's about working out what your style is and seeing if it works.

How much (if at all) of a risk is it for a firm to maintain a traditional approach? Is it a matter of how one prefers to do business or is change a survival issue?

I believe clients are changing. For example, procurement professionals are usually involved in legal-service reviews now, where a few years ago they wouldn't have been. I think the changes associated with Clementi will also influence how law firms go to market. For both these reasons law firms have to move with the times.

We have previously discussed possible changes in the way law firms are structured and in who owns them. What are the sales implications do you think?

To be honest, I'm not sure! The reforms mean that law firms will need to do things like produce formal accounts and be able to allow non-lawyers to become partners. I believe (but then as a non-lawyer I would) this means law firms will become increasingly similar to their clients and, therefore, face very similar day-to-day problems. This can't help but make them more responsive and foster an environment of innovation.

members of a firm that values efficiency most will behave differently than those of a firm that cares primarily about client service.

The key point is that there is a cultural override that is more powerful than requests, instructions or indeed training. When a training course is effective, for example, you can be sure that the culture already supports the desired behaviours, or that someone (managers, trainers, consultants) made adjustments to the culture in parallel to the training.

Getting reliable information about your firm's culture

Culture can be slippery to diagnose, because cultural problems in most organisations are not difficult to spot – unless you are the boss. Various processes, such as the self-preserving desire of subordinates to filter bad news or dissent, almost inevitably insulate senior managers from knowing about developments on the ground.

In fact, if you consider situations in which you are in the client or customer role yourself (either business-to-business or as a consumer), you'll recognise many organisations where it seems that problems are obvious to everyone but the senior management – I can think of a leading PC retailer that is a good example. In general, clients and customers usually have more of an insight into such issues than those charged with running the business. Some call centres are run like battery-hen farms, and it's not hard to tell when one has to deal with the people who work in them. I favour one supermarket over another because it is obvious that the local branch of one is not a happy ship and my requests for assistance are met with grunts; if I ask for a product at the other chain, the staff take me to the relevant aisle personally – even at 11pm.

Similarly in a professional firm, clients notice the tone in which the phone is answered; can tell if juniors are not supported by, or are even ground down by, their partners; and generally have a good idea about what it's like to work at the firm.

So how do you find out what is going on? One way is to phone clients yourself and ask them (this is the sort of thing David Maister would suggest, for example). This is also a situation where

pragmatically, culture can be thought of as the way the following things are maintained and transmitted to new members of the firm:

- Values (what's important to us as members);
- Attitudes (what we think of X or Y);
- Beliefs (what we think is true about the way things are);
- Practices (what we do round here and the right way to do them).

Culture helps the firm's people define situations and determine how to respond to those situations. For example,

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consultants you can trust are valuable – if they are competent, they can quickly tell what’s really going on through observation, ‘mystery shopping’ or, more formally, through interviews, surveys and focus groups. Independent consultants can afford the risk of telling senior managers those things that internal people will keep quiet.

When it comes to finding out if your culture will support a proactive sales approach, well-conducted information gathering will help determine whether:

- People are sufficiently well versed in the brand to accurately portray your offering if asked (without hesitation or deviation although a little repetition is okay);
- People really know what their colleagues in other practice areas offer;
- People are aware of notable wins, for example, the largest deal in such-and-such sector, or a first of its kind in China etc;
- A partner in one practice area who uncovers an opportunity to cross-sell can make the referral and trust that their colleagues in the receiving department will follow it up;
- They feel safe promising the client that a colleague in another department will get in touch or provide information within a satisfactory timeframe;
- People give sufficient time and priority to rehearsals for pitches;
- It is condoned (even if only unofficially) to ditch a rehearsal for a pitch at the last minute;
- People, again without sanction, turn up late for marketing meetings ahead of pitches, thus keeping not only marketing people waiting, but quite often other fee earners too;
- People turn up for your seminars, but congregate around the buffet table talking to each other, rather than engaging with prospective clients;
- Juniors are taken to events and then dumped while the partner talks to favourite clients about the football;
- Some partners are happy to rely on more proactive colleagues to bring in work and then piggy-back on their wins;
- People rely on a few star ‘rain makers’, reinforcing the (false) idea that if they can’t be rainmakers, they can’t bring anything to the business.

Box three: View from a network multiplier

John Handley, for ten years a senior director at LDC, and now a speaker on, and consultant to, the private-equity sector.

From your perspective as a venture capitalist, what changes do you see in the competitive environment for legal services?

The competitive environment is as tough as ever, and shows signs of getting harder. There are fewer deals around and fees are under pressure. A key differentiator for law firms will be their ability to originate and create business-development opportunities. I’d also say this requires firm-wide initiatives. Simply relying on the partners to do this alone is not a sustainable position.

Legal services is one of the few growing sectors of the economy (according to recent ONS report) – does that mean that sales is an issue that will look after itself? Are we making a fuss over nothing?

Absolutely no way – in fact I find it hard to understand that report for the reasons I’ve just mentioned. Certainly based on the situation I’ve been seeing in private equity, or indeed corporate more widely, sales is a key issue.

Traditionally, lawyers have been a bit coy about selling – is selling inconsistent with being a professional?

Professional services is a business like any other: it needs building, developing and feeding on a regular basis.

You are an experienced client/buyer of legal services. What makes someone good at selling them, in your view?

The old Mark McCormack adage still holds true: “People do business with people they like.” So what’s required is an ability to develop a genuine relationship over a period of time. That’s what leads to sustainable business.

Anything else you’d like to add?

I think many legal practices need to look at the whole spectrum of business-development activities from the ground up. For some, it’s going to be a matter of fundamental culture change.

Even for firms that do very well on this sort of inventory, there is probably plenty of scope to raise the bar and such initiatives are likely to be rewarding.

The question now becomes one of what to do to influence the culture in a positive way.

We will now go on to outline a roadmap, beginning with the first crucial

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When we raise the above points with experienced lawyers, they are usually quick to recognise the sort of cultural factors we are talking about and, when the atmosphere is conducive to candour, are equally quick to concede where there is scope for improvement.

step, and completing the remainder of the process in the next article.

The key role of leadership

In any organisation people know whether a strategy or policy is genuine by looking to one individual, or a small

group of individuals. In a law firm, that generally means the senior partner, managing partners (office and/or firm), practice area heads and/or an individual's direct boss. Whether we like it or not, people from external consultancies, or from the HR or marketing function, do not have the same effect (and all the

the support of those people will be crucial to successful implementation).

In the words of an experienced professional-services marketing manager: "If you look at the firms that have really made big leaps in the effectiveness of their marketing, there's always been charismatic leadership from one visionary,

ensure follow-through in all the subsequent stages:

1. Handling the politics – getting established opinion-formers on board;
2. Selling the idea to members of the firm – an ongoing process of communication and education;
3. Putting in place the right cultural reinforcers;
4. Carefully managing the skill-building process;
5. Recruiting, rewarding and retaining people who are enthusiastic about the new future of the firm.

In the next article, we will examine each of these stages in turn. ■

Reference:

1. While there are some complexities of interaction between the two (for example, your leverage structure affects not only your cost of delivery but in some competitive tender situations can actually be one of the buyer's decision criteria), we will regard the two as independent in this article.

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competent ones we have met are under no illusions about this).

External consultants and trainers must act without formal power and can only influence a change process to the extent that they can establish credibility and persuasive appeals to self-interest. This is entirely how it should be. It also means that there is no point in leaders spending time and money on outside help unless they are going to support an initiative with conspicuous and ongoing backing.

This means you can't delegate the leadership of change to your business-support functions (though, of course,

or a small group of committed individuals working together." Without this, the old culture quickly reasserts itself.

Implication for management

As firms look at the way the market is developing, we believe an increasing number will accept that the time for sales has come. Building strong selling skills, and the culture to support their application, is an easy enough solution to prescribe, but implementation can mean dealing with considerable resistance.

The first step is strong leadership, not only at the start, but also to



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