Build client satisfaction

Clients are increasingly reporting that having to pay bills which aren't reflective of the original cost estimate is a major source of dissatisfaction. Matthew Record and Liz van Hüllen look at some of the ways BD teams can assist fee-earners to ensure they provide advice to budget and build client satisfaction.

By Matthew Record and Liz van Hüllen

Although just a snap-shot of the way professionals approach the delicate issue of pricing work for clients, a recent survey of 260 instances of providing legal work in a leading mid-market law firm revealed that 72% of quotes were under the final amount billed by an average of 21%. A further analysis of these figures showed that an additional 12% was also written-off before the client's bill was submitted. From these 260 estimates only 18% had overstated the quote in relation to the actual amount billed (by an average of 13%) which consequently led to the client receiving a cost saving.

Our assertion is that by underestimating the final amount a client has to pay for a piece of professional services work it causes client dissatisfaction and mistrust of the adviser externally, and a strain on management internally. We believe that there is a linear relation between client satisfaction and the certainty of the client's bill. The closer a business is able to correctly appraise the needs of a client, turn these needs into a well defined quotation for the work and manage the work efficiently within the organisation to deliver the professional work to the budget, the greater the satisfaction that the client will feel. A secondary aspect is the added satisfaction gained internally by the professional team who see their client work delivered on budget.

Where the need to exceed original quotation becomes apparent, at the very least, the professional team should use this as a communication/client service opportunity and appraise the client of the situation. Often quite legitimately, additional costs will arise from, for example, unforeseen complexities in a transaction that could stem from either party or as a result of professional due diligence once engaged.

The current economic and commercial climate is such that organisations' (clients) expectations of value for money are even greater, and the desire to retain the client even stronger. It is particularly timely that BD professionals seize the opportunity to help their firms make a difference to client relationships – where a client will really feel it; the bottom line.

The risks

First we must understand which factors influence this imbalance between what is often estimated and the final bill that is delivered.

Poor understanding of client needs

Slaughter and May are widely reported as always holding 'effective discussions' with clients before agreeing fees. By getting under the skin of different projects firms can manage the expectations of clients before they commence work. Amongst the accountancy profession Grant Thornton has built much of its business on long term relationships through which the firm strives to really get to know the client and therefore understand its needs. Too often advisers tend to rush headlong into assignments before they fully consider the extent of work involved.

Insufficient work scoping

'Engagement letters' or 'scoping notes' are often very well thought through documents but tend to be done in a hurry or when key individuals are not available. There is a real risk at this stage of technical or pricing inaccuracies creeping in.

A secondary aspect is that project teams are often not aware of how the different elements they are working on will contribute to the final product. This can be compounded by a lack of understanding of how much each element they are working on has been costed into the overall bill.

A desire to 'win work'

Firms seeking to make an impression on a potential new client or keen to win new

through pricing

from incumbent advisors can be tempted to low-ball fees in an attempt to 'buy' work. Project leaders are then under pressure, often subconsciously, to claw back these discounts by overcharging when clients vary the scope of the work or when hidden complications arise.

Communicating to clients throughout the project

A further trend across many commercial organisations is that significant corporate transactions and disputes are run by finance directors. Their mantra is very cost and budget driven, and they treat these pieces of work like balance sheet liabilities, often viewed in the same light as any other large investment decisions (set against risk and rewards). Failure then to ensure work is undertaken within the cost estimate can cause budgeting problems for the client internally.

Managing work (in)efficiently

The role of senior fee-earners today has moved away from a focus on technical contribution towards the commercial interpretation of what the client is trying to achieve. Lawyers and accountants who lead projects must therefore lean heavily on associates and directors to project manage all aspects of a transaction, so that this frees up time for them to invest in the more strategic aspects of their business plan and commercial issues. Associates and directors therefore need as much exposure as possible throughout execution of the project (and to the more 'mature' elements of client relationship management), to maximise on their lower billing rates wherever possible. This mentoring of talented project managers by partners also provides a more rounded grooming for partnership.

The opportunity

So what part can business development professionals play in ensuring an original fee estimate matches a client's final bill, whether through ongoing support throughout the cycle from pitch to delivery or systems and cultural changes that support this desire? Our role as business development professionals is to help protect and reinforce the value of the services that our lawyers, accountants, surveyors, etc provide to their clients, so we must become more deeply involved in helping to deliver this value.

Develop a better understanding of the specific 'products' that your firm sells

Professional salespeople hold that there are three key aspects to their role; understanding the product or service they are selling, understanding how the product will be used in the client's commercial business and the individual's personal needs. Taking this first point, as business development professionals we have a duty to better understand the nature of the work that our internal clients provide. Whatever firm we work within we must make it our top priority to develop a sufficiently detailed knowledge of the technical nature of the services our firms provide. We must make it our business to know the different steps in the process and the factors that have an influence on it.

Helping advisers correctly price work according to their charge-out structure

A client's perception of any fee quote is frequently driven by how well the work has been defined and the charge-out rate which underpins the quote. Coupled with their view of the firm's capability, this mix is very powerful. Where business development teams can assist is to ensure fee-earners maintain a sense of reality about the market rates that exist for similar firms to them who undertake similar work. Developing a keen sense of the competitor firms who also act for the client and the charge-out structures they use is also important as it enables you to assist in correctly positioning your pricing structure on the value competing firms might seek to offer. Furthermore, business development teams can facilitate wider involvement from other practice areas who can often be viewed as ancilliary, at the pitch or tender stage. This fleshing out of the ultimate pitch (or quote) tells the client the whole story, with associated costs from all angles of the firm – and not just the practice team who are actually handling the first stages of contact.

Ensure you can measure profitability of transactions and relationships

Only the most well managed of firms have good analysis on the financial value of their clients, and even where billing systems may be sophisticated enough to deal with this, it is likely no-one has taken the initiative /ownership to actually analyse this information and share it amongst the professional teams.

Management of such information (quote v. time billed, against profitability) is vital if the professional teams are to understand there is a real problem, start to adopt measures that will help towards minimising the risk of billing way over and above the quote, and measure changes in this trend. This approach is already being considered in some larger accountancy firms and a few leading law firms too. There is a clear role here for business development teams to take hold of this business information, analyse it and communicate it out into the practice.

Helping professional advisers to scope out work

Assuming you have a sufficiently developed knowledge of the specific technical steps within a transaction you can then fully participate in the process of scoping work out to draw up engagement letters.

Business development teams can play a part in stress-testing these and ensuring they are sufficiently detailed. Ironically the engagement letters of law firms are typically the least detailed and transparent.

Firms such as Eversheds have taken a very proactive approach to the provision of scoping notes and use a process they have developed internally, DealTrack, which breaks down transactions into smaller chunks with associated costs to each chunk. This enables clients to see what they are getting within the different aspects of work undertaken and helps the lawyers justify fee increases if the scope of work is varied. Helping fee-earners build up process maps of the professional services they provide (referenced against similar pieces of work the firm has undertaken) is a way of demonstrating a thorough understanding of a client's needs and what each element will cost them. It also enables advisers to have more detailed discussions during the pitch process and manage client expectations.

Knowing the time constraints in most professional services firms this kind of initiative can be jointly led by business development and the knowledge management teams, and is a good opportunity for further joint working.

Contingency fees

Insisting that a contingency fee is incorporated into a cost estimate is a way you can demonstrate to clients that projects have uncertainties which they should be aware of. This helps them manage risk more effectively and to ensure their expectations are managed more openly.

Help build a greater sense of team and improve management

Putting an individual's contribution into perspective is essential in ensuring the right level of effort is delivered on the part of the project they are responsible for. Business development teams can play a valuable part here is retrospectively analysing what fee-earners thought they were told to deliver against what the client actually wanted in the end. This form of rear-facing analysis can benefit the project team in several ways – understanding how to interpret client need more effectively, how to communicate the client need to the team and reviewing the overall quality of supervision given.

Providing client reports

Allied with the earlier point of better scoping of work is the need to better communicate progress throughout the project. Clients now regularly state that they must see progress against the budget regularly reported, not just to avoid nasty shocks. Business development departments can assist fee-earning teams by providing easy to use project planning tools and aids. Gantt charts are seen as essential aspects of construction projects which quickly and easily enable clients to see exact progress against cost estimates, as well as risks, dependencies and additional works.

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A proactive professional team will also hold regular meetings to review work, appraise clients of the situation relating to projects (dependencies, costs, risks, etc) and gain feedback. It is often the role of the business development teams to encourage a culture where such a candid approach to client management is a given and simple tools rolled out.

Regular client feedback (post transaction or ongoing)

Client feedback serves two hugely important purposes. Managed well and consistently, it provides the opportunity to glean comment and observation from the client (satisfied or not) on all aspects of the service and relationship. Additionally it contributes to the client's perception of being valued.

Across accountancy and legal professions investment is being made into processes for obtaining feedback, whether the approach is through dedicated internal or external mechanisms. The implementation of these systems and their management sit fairly and squarely with business development professionals. Being at the coal-face of facilitating the collection of this feedback or the team who should work with fee-earners to take this feedback and act upon it provides huge opportunities to get more involved in the life of the fee-earners we work with.

To have a direct impact on the pricing issue, this has to be an area that consistently appears in all forms of client feedback (face to face, electronic, telephone) and practice areas need to be prepared for some pretty blunt answers.

What next?

We believe these eight areas are where business development teams can work more closely with fee-earners. The trick for many will be to work out which of these eight factors you can introduce into your own firms considering the individual cultures you all have to work within. Whether it is simply building a structured questionnaire for fee-earners to use in project debriefs or simply running the numbers of what you estimated jobs would cost against the final bill, much progress can be made quickly.

As a group, business development professionals have a duty to work with fee-earners to make the delivery of value to clients easier for them. Pricing is an area where, until now, business development professionals have steered clear. But think again; it is an area where there is huge opportunity to add value to our profession and the way our firms deliver it to their clients.

Matthew Record and Liz van Hüllen provide interim support to business development teams in the accounting and legal sectors. Further information is available at www.recordassociates.com