



Taking your client's temperature

Clients rule. What clients want, they get – within reason.

Many clients know, or behave as though they know, the power is largely theirs. They use that power to extract the most advantageous of arrangements with their law firms. "Caveat emptor", I hear you say, "it's good business." And it usually is – for the buyer. But for many less experienced law firms, which grapple with the impact on viability and what loss leading and discounting can do to the enthusiasm of those charged with delivering superior service, having the client call all the shots can be unhealthy.

I always remember a partner in a firm I worked with turning to me – when confronted with a blue chip client's fanciful idea that promised marvellous, but vague, returns – saying, "my bank doesn't lend on kudos".

And so it is for many firms that think working with a household brand will bring them glory. In time it might, but in the shorter term there are the bills to pay. Taking a long-term view takes courage, a client you can trust and an alternative source of cashflow until the glory kicks in.

I am not talking to the small cohort that make up Australia's largest and

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most business savvy law firms. They already know the game. They have the profitability analysis and other data that informs decisions about which clients and work to pursue. They also have sophisticated business systems and advisers that ensure that work pursued will meet acceptable profit margins. I am talking to the large rump of small and medium-sized firms that make up the bulk of the Australian legal market. These firms salivate about the opportunity to work with clients who represent steady workflow, such as large local government authorities, financial institutions, insurers and the like.

However, many of these firms are hurting, because they bow to the pricing pressures imposed by clients and which, ultimately, deliver minimal (if any) profit.

Be a leaping frog

But the prognosis doesn't have to be so grim. Implementing a client health check could be a good way to reduce your firm's exposure to unnecessary illness; the illness caused by clients who don't yield a decent profit, don't add to your firm's reputation, don't generate

leads or don't keep your staff engaged.

Without a client health check your firm could be like a frog in a pot of tepid water. As more and more heat is applied, the frog adapts – until it can't adapt any more and dies. Better to be the frog, which, when thrown into the hot water, immediately leaps out and saves its life.

So, what sort of frog are you?

Use this client health check to find out. This is not the full health check. For a copy of the whole health check you need to contact the author.

Even using the abbreviated check if you have more 'yes' answers than 'no' answers, pursue the client with a passion. More 'no' answers than any other means the water in your pot is getting hotter and it's time to abandon the client before you are boiled alive.

If most of your answers are 'maybes' then it is probably time to apply serious resuscitation to your client relationship and see how the frog responds. ●

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Galt Advisory's abbreviated client health check	Yes	No	Maybe
1. Strategic fit Quality of work: Does it create opportunities to work in exciting/emerging areas? Lead generation: Does it draw others in the industry to the firm and is it a good reference site?			
2. Relationships Strength of relationships: Are there connections at a range of levels, including across the firm's practice areas and offices? Partnership: Can you genuinely aspire to a partnering, preferred or exclusive relationship and jointly develop mutually beneficial initiatives?			
3. Financial Short-term profitability: Is there a range of work to enable acceptable profit margins – now? Sector representation: Does the breadth of services insulate you against sector/economic cycles?			
4. Compatibility Operating style: Is it consistent with your firm's, which enables expectations to be clearly expressed and issues resolved easily and amicably? Minimal conflicts: Can you freely discuss commercial and relationship conflicts and reach agreements that suit both parties?			
5. Knowledge Industry: Do you understand the client's industry, key risks and opportunities to a level that enables your firm to be of genuine added value? Lead generating: Does the client provide the opportunity for your firm to develop knowledge and a reputation in a sector of emerging interest/need?			
6. Staff attraction/retention Industry: Is the emerging nature of the client's industry a drawcard to new staff? Brand: Is the client itself a source of attraction because of its market position, reputation and industry?			