



## Law Firm Business Development Forecast: Looking Brighter



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## Making Rain

Until recently, the outlook for law firm business development has been hazy at best. In the distant past, many attorneys were perfectly content to bill time and may have been able to grow their practices by simply doing good work. Meanwhile, a lot of attorneys bristled at the thought of having to actually 'sell' their services. In fact, the concept of sales was practically taboo in a law firm. As Rob Kahn, CMO of Fenwick & West said, "We couldn't even call it by its real name. It was 'business development.'" But those days are gone.

## Today's Forecast

Attorneys today face a drastically different situation, due to a confluence of events. For almost a decade, demand for legal services has been flat—and that doesn't appear to be changing anytime soon. It's a buyer's market, and firms are facing more competition, not only from other law firms, but from alternative

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service providers, accounting firms, artificial intelligence tools, and even corporate legal departments as companies continue to take more work in-house. As a result, the pressure to budget effectively, be more efficient and predict revenue trends has never been more intense.

Additionally, clients are becoming more demanding of the firms they ultimately select. The buyers of legal services are in the driver's seat, and they are increasingly requiring budget predictions, rate reductions and alternative fee arrangements. So to be profitable, firms have had to become more efficient and attorneys have had to learn new skills such as project and matter management.

## Partly Sunny

While there has been a fundamental shift in the competitive landscape for legal services, there have been some bright spots. As competition has increased, firms have finally been forced to focus on the one non-billable activity that makes all the other billable activities possible: sales.

A few years ago, a few firms began to focus on selling to gain a competitive advantage. But today sales has become an essential component of law firm financial success. Kahn noted that in his 20-year history in the legal industry, he has never seen "sales" talked about so openly and earnestly as it is today. A recent survey co-sponsored by Bloomberg Law and the Legal Marketing Association confirms this, with 94 percent of respondents noting that law firms have been increasing their focus on marketing and business development. "We are moving from a few outlier firms to an increasing number of law firms of all sizes looking at sales professionals, sales training and sales targets," Kahn said.

## Poor Visibility

While attorneys have been struggling to fully embrace sales and/or implement a sales culture in their firms, until recently, there was no way to accurately measure and enhance sales results. Much of the software designed for law firms didn't include the enhanced capabilities for sales tracking. More importantly, in many firms there was no way, or perhaps no desire, to foster attorney accountability for sales results. But as competition has increased, more firms are looking to technology to enhance both results and accountability.

## Pipelines

One type of technology that firms are turning to for sales support is their Client Relationship Management (CRM) system. The dramatic growth of the CRM industry attests to the importance of this software to long-term business development success. Respected research organization Gartner recently determined that the annual worldwide CRM software market totaled more than \$26.3 billion and has been growing at more than 12 percent per year. In 2017, it is predicted to be a \$36B Market, leading all enterprise software categories in projected growth.

While CRM is clearly an essential component for business growth, the most important element of CRM for facilitating sales is the pipeline. Pipelines allow a firm to track and report on sales efforts including related contacts, activities, and opportunities. Because of these critical abilities, pipelines have been a core component of the major CRM systems used by most organizations for years. Yet many of the CRM systems designed for

law firms lacked this type of advanced sales management functionality, possibly because, until recently, law firms had not asked for it.

In the past, most law firms were content to utilize their CRM systems simply as tools for contact management, e-mail marketing and event management. But recently, there has been a flurry of interest among firms seeking to deploy CRM to enhance business development. In response, most of the major law firm CRM providers have been adding some enhanced pipeline functionality. Additionally, some new CRM systems have entered the market with pipelines as core offerings.

## People & Process

As with any technology, however, a pipeline is only as good as the processes a firm puts in place and the people who use it. Unless it is regularly utilized and frequently updated, its effectiveness as a sales tool will be reduced. This is not to say that all attorneys should be expected to input data into the system. In a law firm, where time is money—literally, having attorneys, who bill hundreds or more than \$1,000 an hour, entering data may not be the best use of their time. "A certain percentage will use the system and another percentage will just be consumers of information," says Kahn. Alternatively, pipeline data may be entered and updated by marketing or business development staff allowing the attorneys to focus on their clients and their work.

## Predictions

While a pipeline can be an excellent tool for keeping up with a firm's current sales efforts, what is potentially more valuable is the ability to predict what may happen in the future. Almost all other businesses have been focused on pipeline forecasting for years because they understand the value of being able to accurately predict new business and revenue. Going forward, as law firms are compelled to better budget and manage matters more effectively, they will also need a way to predict the flow of new matters. Additionally, forecasting new work will be essential to the critical business decisions firms need to make around hiring, staffing, planning, and budgeting.

A pipeline forecast can inform the firm not only about the number and value of potential new opportunities, but also about the timing and likelihood of successfully closing them. Pipeline analytics can help to identify which opportunities are progressing and which ones may have become stalled or inactive. Pipeline activities can be created and assigned to individuals to encourage follow up and to keep the sales process moving. Pipeline reports can be used to create a healthy spirit of sales competition and, most importantly, to hold attorneys accountable for results. These are some of the primary reasons that firms like Kahn's have invested in pipeline technology to support sales efforts.

## Extended Outlook

Kahn predicts that the trend toward building sales cultures in law firms will continue and, as a result, he expects to see an increasing investment in sales tools and technologies by firms. Additionally, he thinks that firm leaders will soon come to request and rely on pipeline data to drive business decisions. More importantly, utilizing sales pipeline technology may motivate individual lawyers to become more disciplined about developing business and growing their relationships, which will be essential to help firms succeed in the future.