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Competing In the Professional Services Arena

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by [Suzanne Lowe](#)

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“Why are we losing proposals to competitors?” One of my clients, a senior executive at a highly respected United States-based professional service firm, asked me this question not too long ago. “Sure, we’ve premium priced our services. But we think we serve our clients better than anybody else.”

What did I tell him? That his clients’ expectations had simply evolved to a point where attributes like customization, responsiveness, and accuracy were “givens.” His firm – like so many others – had, without realizing it, always taken the “mile-wide, inch-deep” approach to understanding itself vis à vis its market. He had come away reading too much into some information and not enough into the rest, and trying to make decisions on range of services, competitive distinctions and innovation from that lightweight stance.

Starting right then, we began to work together to help his firm master its marketplace.

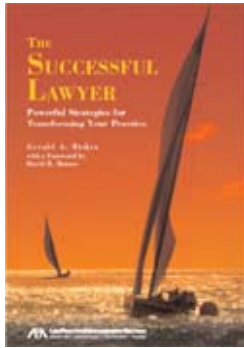
“Master a marketplace? Are you telling me that my firm can manage the movements of its market – that we can dictate our future achievement of competitive success? Impossible!” some may say. Yes, the marketplace is “bigger” than any one business entity that exists within it. But professional service firms can move beyond their understandable marketplace nearsightedness. They can enact more deeply strategic initiatives to influence their business arena and their own competitive trajectory within it. They can move beyond their all-too-random acts of marketing to deliberately work on mastering their marketplace.

A move in this direction requires three building blocks that, together, form a compelling market-driven infrastructure for professional service firms to compete more effectively, as Marketplace Masters.

Looking Out.

Looking out means using research on clients, competitors, and markets to look outside of professional or internal organizational confines to detect market shifts and opportunities. Put another way, looking out is the ability to pull up out of the day-to-day operating challenges and take a hard look at what’s coming down the pike.

So many firms are ultra-sensitive to near-term opportunities and dangers that they



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respond too quickly—without enough due consideration—to take advantage of something that looks promising or to take evasive action to avoid damage. What happens? Over time, they hit a pothole they could have avoided—or they derail completely. They may have short-term victories, but they don’t build up a foundation on which they can last over the long-term. They’re vulnerable to the vagaries of the market.

What does “due consideration” mean? It means having a reliable sounding board against which to evaluate new opportunities or threats. It means having a reliable body of research about the market on which to base judgment. It means having an early look at client, competitor, and marketplace shifts. A disappointingly low percentage of professional service firms even have a formal market research budget. Yet firms that conduct formal market research reported that they were significantly more effective in attracting and retaining clients.

Market research must play a more prominent role in professional firms’ marketing programs than it has to date; firms that embrace this notion will enjoy the rewards of a loyal and growing client base.

Digging Deeper.

I believe that the professional service sector, whose very foundation is based on intellectual capital, has yet to apply its collective brainpower to truly dig into its marketplace. Put simply, Digging Deeper means doing the targeted organizational and analytical work it takes to compete more effectively. My research findings show that despite the availability (and increasing affordability) of powerful software applications, few firms conduct formal data mining to discover the unmet needs of clients and prospects. Digging Deeper means capturing, organizing, and mining valuable client data to the point that one can discern past and potential client and marketplace patterns.

There is also evidence that most professional service firms take the easy way out on efforts to differentiate themselves, avoiding the more successful—but harder—initiatives. Digging Deeper means going beyond image-based positioning and branding campaigns to become truly different from competitors. My research also suggests that there is a discernable lack of sophistication among professional service firms about the notion of aligning competitive strategies with a firm’s culture (a phenomena which sometimes results in the scenarios I described at the top of the chapter).

Digging Deeper means managing a culture to achieve a strategic, market-focused goal. What’s more, there is evidence that most professional firms have yet to adopt the internal management structures that support their effectively driving towards a competitive goal: account planning, and formal post-implementation measurement of marketing, selling and relationship management initiatives. Digging Deeper means using account planning and measurement to increase a firm’s ability to fine-tune its business focus, and marketing, business development and service delivery strategies. Tomorrow’s effective competitors will dig deeper to gain a pre-emptive marketplace advantage.

Embedding Innovation.

That is, deliberately incorporating support of innovation into a firm’s practices and policies. As a whole, the professional service sector relies too heavily on technology-based “knowledge management” and promotion-based “thought

leadership” as platforms on which to develop new services. My findings uncovered little evidence of, support for, or implementation of, other formal innovation initiatives.

I believe innovation must be institutionalized as a critical element in every professional firm’s strategy. This involves three competencies. First, building an R&D framework, which means recognizing those services that are rapidly becoming commodities, and then programmatically steering internal efforts to build new services. A second competency is how firms use technology not to enable a new service to be conceived but as a basis for a new service. A third competency is how firms use incentives or rewards to stimulate professionals to innovate in alignment with the firm’s strategy.

Some firms already excel at one or more of these; those are the firms around which I’ve written case studies to explore what they do and how they do it. No firm, to my knowledge, excels at all three. But it is possible, and at any rate, it is a goal worth striving for. Even moderate improvements in all competencies will result in a more robust competitive position and future success.

None of these practices are new. And, while requiring a focused, organized effort, none are particularly hard to do. So what is the disconnect? Why aren’t more professional service firms much better at looking out, digging deeper, and embedding innovation? Why isn’t a market-driven infrastructure a requisite for doing business?

The answer is twofold: Most maturing professional firms have long since established a pace that is linked to whatever opportunities or challenges the market is currently serving up. In their founding days, they never did create an explicit market-driven infrastructure (they didn’t have to). What’s more, they’re not at all sure that it will help their situation; investing the time and resources necessary seems too dangerous.

Additionally, any new change effort—be it an organizational or cultural overhaul, or a simple improvement in research practices—can seem daunting. Firms fear the paralysis that comes from biting off more than they can chew. (Picture a python that has just swallowed its dinner whole; the thing isn’t going to move for weeks.) At the starting point, any initiative looks big and potentially menacing.

The fact is that all firms can learn to look out, dig deeper, and embed innovation—without too much pain. What’s more, if they tackle and succeed at only one of the three, the other two will follow more naturally. There is no need to swallow this initiative whole. Taking baby steps—albeit deliberate ones—is appropriate, though the ultimate positive result (competitive gains) will be felt firm-wide, and on a large scale, over the long term.

A firm can say “Let’s focus on improving our measurement of marketing and business development programs.” This initiative is quite defined and, while not insignificant, it’s doable. And the rewards will be profound. Not only will the firm improve in the selected area, but also the step will create a ripple effect that can catalyze other market-driven reforms within the firm. Once a professional service firm chooses to compete with one of these practices, the interface between that and other practices can become more seamless.

For another example, let’s say a firm decides to compete more strategically by improving how it looks out. One of the things it decides is to do more research on clients. After it’s developed an infrastructure to do this, it would follow that the firm

clients. After it's developed an infrastructure to do this, it would follow that the firm might next be able to do data mining more effectively ("We've captured so much information on clients, we now want to organize it and use it."). Next could be account planning ("Now that we can easily manipulate our externally-focused client data, we can build a road map for growing our services with those clients that are our best strategic assets."). Another example is a firm that decides it will dig deeper to be different from competitors. To do so, it decides to build an infrastructure that supports the creation of certain technological capabilities. This is of course also "embedding innovation."

And so on. Firms can integrate their efforts in all three areas, so that the progress made in one area is felt by the others, and can be used by the others. If firms tackle and succeed at only one of the three building blocks of marketplace mastery, the other two will follow more naturally.

When a market-driven infrastructure is built-in, small changes can equal great gains. And for professional service firms, this notion can—and should—look very compelling, considering the alternatives.

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Suzanne Lowe is President of Expertise Marketing (www.expertisemarketing.com) and author of *Marketplace Masters: How Law firms Compete to Win* (www.marketplacemasters.com – Greenwood Press: Spring 2004).