



## Effective Cross-Selling: Recognizing and Overcoming Hurdles

In many multi-service law firms improving cross-selling is perceived as something of a Holy Grail. The goal is to provide a broader range of services to existing clients to increase revenue and profit, to improve client service, to enhance the firm's ties to the client, and to better tie partners to the firm. Cross-selling intuitively makes sense and perhaps more persuasively there is a growing body of empirical evidence from both leading business schools and management consultancies of the value it can create for law firms and their clients.

However, as many firms have learned, cross-selling in practice is difficult to achieve. There are both internal and client related hurdles to cross-selling. Simply telling partners to cross-sell rarely produces the desired results. Succeeding at cross-selling requires an awareness of the hurdles, and a proactive plan to overcome them.

### Internal Hurdles

From a firm perspective the argument in favor of cross-selling is powerful; individual partners affected often perceive it somewhat differently. For the partner currently 'holding' the relationship with a client there can be a number of concerns:

- Another partner providing an additional service may not satisfy the client, putting the entire relationship in jeopardy.
- The client may prefer the new partner and put the existing relationship in jeopardy.
- The client becomes less 'portable' and more of a 'firm' as opposed to 'personal' client.
- It may require considerable effort in terms of introducing new partners and managing a more complex relationship for which there is little recognition or financial reward.

Furthermore, any new partner 'introduced' into an existing client relationship may be not entirely enthusiastic:

- The partner may prefer to work with clients that they perceive as 'their own' rather than a colleague's where they feel there is an element of internal as well as client accountability.
- The partner may perceive that their career, status in the firm and compensation would all benefit more by attracting their own clients.

These hurdles are not always present nor are they invariably insurmountable but it is important to recognize that either or both types do frequently exist and can be of such a magnitude that in some situations the likelihood of success in cross-selling is extremely low.

### Client Related Hurdles

The most significant client related hurdle to cross-selling is that the client simply isn't interested or doesn't see any value. There may be no advantages to the client: the client may see no gain in buying a number of essentially discrete services from the same firm instead preferring to have multiple legal providers. The client may in fact see distinct advantages in having separate firms to deal with each of, for example, Litigation, Real Estate and IP, feeling that it discourages over-dependency and the risk of complacency, keeps each firm on its toes and through introducing a level of competitiveness allows for some benchmarking and 'playing off' of the firms against each other.

Secondly, it may be extremely difficult to cross-sell, especially in larger client organizations. For example, the Head of Real Estate in a large company may have no influence over the buying of legal services in other areas such as Employment, Litigation or Corporate. So, the assistance the client can provide in terms of making introductions, even if minded to do so, may be limited. And in reality, the client may actually prefer to have their 'own' external counsel not also working for other parts of their company.

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Thirdly, while the client may perceive a law firm excellent in terms of one area of law – the service currently provided – the client sees that firm as no more than competent, and certainly not as proficient as the incumbent provider(s), in other areas. A compelling case, based on superior performance or lower cost, needs to be made to persuade a client to swap providers and often this is absent.

Of course, there are advantages to many clients in reducing the number of law firms they retain (as evidenced by the general trend of reducing the number of firms on client panels.) Nevertheless, attempting to cross-sell without considering these very real hurdles can result in frustration from clients, lack of action from partners, and little in the way of concrete results.

### Financial Considerations

Cross-selling may also present some financial challenges. While growing the firm's revenue is a primary goal of cross-selling, there is some evidence that the larger the firm's relationship with a client, the more pricing leverage the client has. This may require more flexibility on the part of the firm in managing the overall portfolio of work for the client.

There can also be instances where the client's needs in one area are not as business critical as in another, resulting in a mismatch in price expectations. For example, we sometimes hear that the litigation opportunities for mid-market clients of a firm's corporate practice may not be aligned with the firm's litigation practice (e.g., smaller more price-sensitive matters) which can create pricing issues for the client and for the firm.

These financial considerations are of course addressable but we have certainly seen circumstances where firms have provided an increasingly wide range of services to a client but in total at low margins.

### Overcoming Hurdles

Despite these hurdles, cross-selling can and should remain an integral part of a multi-service firm's business development strategy. It can and does deliver excellent returns when undertaken effectively.

Focus is the first key to success. The firm must carefully and objectively assess prospective clients and concentrate on those where from both an internal and client perspective there is a realistic likelihood of success. This requires:

- Identifying a select group of clients where there is an opportunity to expand the relationship that benefits both the client and the firm.
- Engaging the client in the process, through interviews with key in-house lawyers and/or business people, to understand their legal needs and their expectations for outside counsel.
- Developing a concrete plan for each client with accountability from the key partners involved.
- Setting realistic milestones.

Aligning firm structures and incentives is the second key. This includes:

- Proactive management direction, encouragement and oversight. A cross-selling program needs to be more than a mandate to partners. Leadership needs to identify opportunities, coach partners on executing their plans, and help partners overcome any internal roadblocks.
- Ensuring that partners who will need to work more effectively together are provided the necessary assistance, support from the firm's business services professionals, and training.
- Ensuring that there is effective and credible measuring of cross-selling and that efforts and successes are effectively recognized and rewarded.

Cross-selling remains a Holy Grail, but one that is worth pursuing.

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