

## The Dollars are in the Details

By [LawVision](#) on August 29, 2022

*Last week's post ([At the Expense of Marketing & Sales: Building a Better Budget](#)) offered critical thinking tips for what to include – or not include – in a firm's marketing and sales budget. Today's high-level marketing and business executives at law firms have mastered the categories of spending for traditional marketing and sales activities. So, now we turn to a strong recommendation that firms adopt high-level strategic account management (SAM) programs, which require budget considerations beyond the normal, with this edited excerpt from [SAM-Legal: Turning Key Clients into Strategic Accounts / A Guide to Law Firm Strategic Account Management](#) (© 2021 LawVision, Inc.) by [Steven M. Bell](#) & [Silvia L. Coulter](#).*

\*\*\*\*\*

While the budget itself (anticipated revenue, anticipated expenses, and anticipated Return on Investment) is critically important, so is the timing. Law firms operate on strict annual calendars. After weeks, and sometimes months, of preparation, the budget – once approved by the owners – is fairly set in stone. Just try, eight months into the budget year, to acquire funds for an unplanned sponsorship, client entertainment, or marketing campaign. It's not impossible, just more difficult than it needs to be if proper planning and preparation are well thought through at the outset, in parallel with the firm's overall budget. This is such an important consideration, in fact, that the launch of Strategic Account Management (SAM)-Legal initiatives would be best served, if at all possible, synchronized with the firm's overall budget cycle. Note that in this budget discussion, we are not talking about the expenditures that can be billed to the client and which are necessary to deliver outstanding client service. We're referring to the primarily non-chargeable expenditures that the firm will invest to grow future revenue and profit.

One important consideration for SAM-Legal teams is to consider the sources of budget for the initiative. Start with the nature and extent of this investment funding. Under optimum conditions, the firm will establish a centralized budget for each SAM-Legal team. Absent the establishment of such discrete budgets, depending on the firm, the sources can vary widely.

Some firms provide each lawyer a set annual amount to undertake client development, of which SAM-Legal activities would be a subset. In such instances, the lawyers participating in the SAM-Legal initiative must be willing to invest some of their allocations to specific SAM-Legal clients. Naturally, these lawyers will want to know, in advance, how much of their allocations will be required, and they will want to balance that investment against their other non-SAM-Legal client development aspirations for the year.

Other firms centralize client development budgets in the hands of practice group, sector, office, or regional leaders. These leaders must accomplish the problematic task of balancing existing approved funding with requests that are many multiples of the amount available. For a multidisciplinary, multisector, or multi-geographical SAM-Legal team, the team leader may be "bargaining" with several budget overseers. All the more reason for SAM-Legal team members to have an extraordinary understanding of the anticipated costs and return.

Still other firms centralize the budgets that will fuel a SAM-Legal initiative at the functional-department level – marketing, business development, Information Services, Information Technology, and so forth. In such instances, the SAM-Legal team leader will need to explain, justify, and negotiate with staff department leaders (and the partners to whom the staff leaders report) to include and advocate for sufficient financial resources in the functional budgets.

Fortunately, those who will be responsible for SAM-Legal initiatives, more than likely, are veterans at their firm and are aware of the intricacies of the logistics required to generate budget. Still, as SAM-Legal probably is a new strategic initiative, at least at most firms, it may take a bit more work than does year-over-year budget acquisition efforts. Leaders just need to be prepared for the amount of work and detail that will be required.

We recommend that the budget process begin with an estimate of the return that will be generated by each of three levels of return on investment: low, moderate, and aggressive. It is, of course, not possible to accurately predict future revenue, but research has shown that SAM-Legal teams in other industries, and now some early feedback from legal, have found that in the course of a diligently applied, multi-year, disciplined strategic account strategy, first year returns will be material but modest, perhaps 5 percent (but can be more). As the effort builds year over year, incremental annual returns of 10 percent or more can reasonably be anticipated.

Given the starting benchmark, calculate what a 5 percent and then a 10 percent increase will generate in terms of outside revenue and profit. We have found that law firm financial departments are expert at inputting hypotheses and then creating and modeling reasonable, achievable revenue and profit expectations along these lines. Over time, firms report upwards of 20% year-over-year growth on these strategic clients. With this potential return in hand, start the exercise of determining “budget” to get there.

**Next Installment:** So, what is a SAM-Legal initiative going to cost?