



Competitive Intelligence: An Effective Tool for Law Firms

by Wanda J. McDavid

Competitive intelligence (CI) is defined as “the practice of examining the external competitive environment, including direct rivals, customers, suppliers, economic/regulatory issues and more, to support the development of more resilient, robust strategies and tactics.”¹ According to the Society of Competitive Intelligence Professionals (SCIP), the CI process involves gathering, analyzing, and managing information about the external business environment.² It should be pointed out that other terms sometimes are used to describe this process; for example, CI might be referred to as “strategic information,” “competitor analysis,” or “market intelligence.”

Many organizations (and some law firms) have a long track record of using CI to monitor industry trends, understand their competitors, and develop informed business strategies. However, only recently has the legal industry as a whole developed an interest in CI. Numerous market trends have led to growing interest in competitive intelligence. Trends that law firms specifically are dealing with include: increased competition in the legal field; a greater willingness from clients to shift allegiances based on service, areas of expertise, and technological advances; a growing number of law firm mergers; and a reduction in the number of law firm companies are hiring.³

Law firm managers and marketers interested in developing a CI plan for their firm should be aware that the CI process is complex and firm-specific. Each firm’s CI plan will be unique and should be based on the distinct needs of the firm. This article is intended to help law firm managers and marketers be-

come familiar with the overall CI process. It *includes* discussion of the legal and ethical considerations of CI; lists key elements of a CI plan; and provides information on conducting CI research on clients and competitors, including resources available for research. It also discusses problems managers and marketers might face at the onset of the CI process, as well as where they can find help in developing a CI strategy for their firm.

Ethical and Legal Issues

CI is an ethical and legal business practice. It is not industrial espionage, and it does not involve pretexting (gathering information under false pretenses).⁴ When gathering information about competitors, organizations must follow established laws and ethics. The SCIP has developed the following Code of Ethics for individuals engaged in the CI process:

- to continually strive to increase the recognition and respect of the profession
- to comply with all applicable laws, domestic and international
- to accurately disclose all relevant information, including one’s identity and organization, prior to all interviews
- to avoid conflicts of interest in fulfilling one’s duties
- to provide honest and realistic recommendations and conclusions in the execution of one’s duties
- to promote this code of ethics within one’s company, with third-party contractors, and within the entire profession
- to faithfully adhere to and abide by one’s company policies, objectives, and guidelines.⁵

It is important to develop or establish a firmwide policy regarding CI and to work toward ensuring its implementation.

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The CI Process: An Overview

Law firm managers and marketers who are interested in developing a CI strategy for their firm must understand that competitive intelligence includes more than knowledge of the firm's existing client base. In addition to identifying who the firm's clients are and their strategic place in their industry, the CI process includes anticipating new growth areas and markets. It includes identifying a new client base and developing a client-focused business development strategy.

Steps involved in the CI process include monitoring news about the law firm's own firm, the firm's clients, and competing law firms; being aware of regulatory changes that will impact practice areas and the firm's clients; anticipating changes in the legal industry, including what the firm's competitors are doing; and looking for ways to grow the firm's business, including merger opportunities and lateral hires. According to the *National Law Journal's* 2006 Survey, "Law firms are continuing to reconfigure themselves to meet the needs of their high-yield clients through mergers."⁶

Firms must keep the following questions and suggestions in mind as they begin to develop a CI strategy:

1. What services are in demand and how much of a demand is there? Know the market.
2. How are client needs being met today? Are deadlines being met? Is the firm being responsive to client requests?
3. Are clients satisfied with the services currently being provided? Gather feedback and respond to it.
4. What credibility does the firm have?

Key Elements of a CI Plan

A CI plan will vary from firm to firm. However, there are four key elements every plan must contain:

- 1) methods for communication, such as e-mails, memos, and Intranet postings;
- 2) research resources needed to gather data, such as Lexis-Nexis,[®] Factiva, and Dialog;
- 3) an analysis of the data gathered, presented in an easy-to-understand format, with recommendations for actionable decisions; and
- 4) a system to gather feedback, such as a blog or an electronic Web-based survey.

The firm periodically should review its action plan to make sure that it is still on the right course with its business development strategy and growth plan.

Conducting CI Research

When beginning the CI research process, the law firm manager or marketer must keep the needs of the firm in mind. The overall goal of the research process is to provide actionable business intelligence to influence business decisions. For example, if the goal is to summarize new areas of practice in the Denver legal market, the researcher will want to pinpoint areas of practice that are growing or emerging in the practice of law; compare Denver to other cities of similar size; and identify firms that have entered the Denver market or existing firms that have expanded their services and their areas of expertise.

When conducting research on a competitor law firm, it is helpful to seek answers to the following questions:

1. How is the law firm faring compared to its competition?
2. What new technology or products has the law firm developed? What new technology or products is the law firm currently using?
3. What is the law firm's current and projected market?
4. What is the media saying about the law firm? What is the "news on the street"?

The end product of this research is the CI report. The CI report needs to be clear and concise, and should include background information, forecasts, an analysis of what the information means to the firm, and recommendations for future action. Sources to review include websites, analyst reports, news articles, legal industry newsletters, and expert consultant opinions, when applicable. (See the Appendix at the end of this article for a more comprehensive list of research resources.)

Staying Current

When developing a CI plan, the law firm manager or marketer must create a system for staying up-to-date on what is happening in the legal industry. Furthermore, a system must be created for staying abreast of what is happening with each of the firm's clients, as well as for tracking events that impact each client's specific industry.

Electronic newsletters, e-mail alerts, and RSS feeds are some of the best ways for firms to become aware of current happenings and events. Receiving a newsletter, an electronic alert, or a relevant blog entry through e-mail not only is convenient, it also allows the firm to be alerted to important events right away. The user can view the item immediately on receipt, or set up an e-mail rule so that the item goes directly into a designated folder for review at a particular time each day.

Newsletters on a topic or industry may trigger new ideas, plans, or directions for the future. They also provide an opportunity to stay current on what is important to the firm's clients, and to identify new trends and emerging industries, mergers, and acquisitions.⁷

Problems to Overcome

One of the problems law firms face as they try to institute a formalized process for gathering competitive intelligence is trying to demonstrate the return on investment. Dollars spent on gathering and analyzing competitive intelligence do not have an immediate impact on the bottom line or profits of the firm. Another problem firms face is not having allocated enough money in the budget to implement the CI plan and to evaluate

results. Other firms might lack long-term management support, both financially and philosophically, if results are not immediate.

Where to Find Help

There is a great deal of support for firms planning to develop a CI strategy. Firm managers or marketing professionals might consider joining the Legal Marketing Association (LMA).⁸ Founded in 1985, the LMA is a nonprofit association whose membership consists of law firm partners, marketing professionals, consultants, and vendors who support marketing in the legal services industry. Individuals also may want to consider joining the SCIP, a global nonprofit membership organization intended to support anyone involved in creating and managing business knowledge.⁹

Conclusion

It is important for law firms to understand the global environment and to be aware of how easily clients can shift allegiances. To thrive in today's highly competitive market, law firms must be ready to take proactive steps to retain current clients and acquire new ones. Competitive intelligence is a constructive method for evaluating the internal and external business environment and can help law firms achieve an edge in the marketplace.

NOTES

1. Correia, "Competitive Intelligence: a Practical Primer for Location Intelligence," *Location Intelligence* (Feb. 21, 2006), available at <http://www.locationintelligence.net/articles/2102.html>.

2. See <http://www.scip.org>.

3. Pfeiffer, "Law Firms Learn How to Compete," *The Boston Globe* (June 19, 2006), available at http://www.boston.com/business/articles/2006/06/19/law_firms_learn_how_to_compete/?page=1.

4. Federal Trade Commission, "Pretexting: Your Personal Information Revealed," *FTC Facts for Consumers* (Feb. 2006), available at <http://www.ftc.gov/bcp/online/pubs/credit/pretext.pdf>.

5. Society of Competitive Intelligence Professionals Code of Ethics for CI Professionals, available at http://www.scip.org/2_code.php.

6. Jones, "Strong Law Firm Growth Continues," *National Law Journal* (Nov. 13, 2006) at S4.

7. Access/Information, Inc. Newsletter, "Electronic Newsletters for Business Development" (Dec. 2006), available at http://www.access-information.com/newsletter_2006_12.shtml.

8. For more information, visit the Legal Marketing Association website, <http://www.legalmarketing.org>.

9. For more information, visit the Society of Competitive Intelligence Professionals website, <http://www.scip.org>. ■

Appendix

Competitive Intelligence Resources

Access the resources below to learn more about performing research on firms, companies, and industries and formulating a competitive intelligence plan.

Books/Articles

- Anders, "Locating Company Information on the Internet" (LLRX, May 1999), available at <http://www.llrx.com/features/company.htm>.
- Broady, "Using information to create business value: City of London legal firms, a case study," 5(1) *Performance Measurement and Metrics*, 5–10 (Jan. 2004).
- Campbell, "Is Your Firm Firing on All Four Cylinders?" 49(6) *Law Practice Management* 46–48. (Sept. 2003).
- Carson and Curran, "Growth and Gender Diversity: A Statistical Profile of the Legal Profession in 2000," 16(1):1 *Researching Law: An ABF Update* 7–11 (Winter 2005).
- Fehringer and Hohhof, eds., *Competitive Intelligence Ethics: Navigating the Gray Zone* (Society of Competitive Intelligence Professionals, 2006).
- Freedman, "How Important is Strategic Intelligence Gathering to the Marketing Efforts of Your Firm?" *Law Practice Today* (July 2005), available at <http://www.abanet.org/lpm/lpt/articles/mgt07052.html>.
- Goldman, ed., *The Ethics of Spying: A Reader for the Intelligence Professional* (Scarecrow Press, 2006).
- Green, "What Client Surveys Are and Why Law Firms Should Do Them" (Sugarcrest Development Group, May 2003), available at http://www.imakenews.com/sugarcrestreport/e_article000152157.cfm.
- Pacifici and Cavallini, "Competitive Intelligence—A Selective Resource Guide," (LLRX, Nov. 2005), available at <http://www.llrx.com/features/ciguide.htm>.

Internet Resources

ABA Market Research Department	http://www.abanet.org/marketresearch/resource.html
Arapahoe County Public Library	http://www.arapahoelibraries.org
Ask.com, Blogs, and Feeds	http://www.ask.com
CoCourts.com	http://www.cocourts.com
Colorado Secretary of State	http://www.sos.state.co.us
Court Express	http://www.courtexpress.com
Courthouse News Service	http://www.courthousenews.com
Courtlink	http://www.lexisnexis.com/courtlink/online
Denver Public Library	http://www.denver.lib.co.us
Fuld & Company: What Competitive Intelligence Is and Is Not!	http://www.fuld.com/Company/CI.html
Google, Google News, Google Blogs	http://www.google.com
Hoovers	http://www.hoovers.com/free
Internalmemos.com	http://www.internalmemos.com/memos
Internet Index & CI Tools	http://www.fuld.com/TIIndex/HomePage.html
Law Week Colorado	http://www.lawweekonline.com
LexisNexis® Company Dossier	http://www.lexisnexis.com/industrydossier/default.asp
LexisNexis® Martindale-Hubbell 2005 Small Firm Marketing Trends	http://martindale.com/powerpoint/slindex.ppt
PACER	http://pacer.psc.uscourts.gov
Securities and Exchange Commission—EDGAR	http://www.sec.gov/edgar/searchedgar/webusers.htm
U.S. Patent and Trademark Office	http://www.uspto.gov
Virtual Chase Company Information Guide	http://www.virtualchase.com/topics/company_information_index.shtml
Westlaw® Legal Due Diligence Reports	http://west.thomson.com/westlaw/ddr/legalddr.aspx
Yahoo! Finance	http://finance.yahoo.com

Sources of Company Information

The following list contains broad categories and sources for researching many different types of companies and firms. The volume and depth of information available for each organization varies depending on whether it is public or private. For example, information (such as financials) about public companies is more readily available.

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| ➤ SEC Filings (public companies only) | ➤ Links Search | ➤ Community Postings |
| ➤ Dun & Bradstreet Reports | ➤ Company Websites | ➤ Associations |
| ➤ Hoovers.com | ➤ News Articles | ➤ Blogs |
| ➤ Case Law Databases: | ➤ Commercial Databases: | ➤ Public Records: |
| • Lexis®, Courtlink Strategic Profiles | • Lexis® Company Dossier | • Federal |
| • Westlaw®, CourtExpress Profiles | • Westlaw® Litigation Monitor | • State |
| • Casemaker | | • County |