In this element we will look at the importance of understanding clients, their businesses and their goals, and how you can use key analysis techniques to achieve this understanding.

**Why is it important?**

It is easy to think of law as a series of legal problems for which you find a solution. For example, a client comes to you about a breach of contract, you examine the facts, consider the law and advise them to bring a claim. The claim is successful, and you close the file.

Understanding your client, their particular circumstances and personal and business objectives will enable you to tailor your advice, provide a more valuable service and build a better relationship.

See the law not as an end in itself but as a tool to help your clients achieve their goals.

“Clients are looking for deeper, more strategic conversations and law firms could do more to understand the nature of each client’s business.” Simon Lord, Head of B2B Marketing Financial Times

"If there is one secret to success, it lies in the ability to see things from the other person's angle as well as your own." Henry Ford

**What your clients might be thinking about**

Consider the following typical questions that your clients might be thinking about:​

What services or products do our clients/customers need?​What new products or services can we bring to market?​What new trends will impact our business and how?​What new threats do we need to be award of?​Which new organisations are entering my marketplace?​What do our competitors have that we don’t?​What can we be doing to attract and retain talented people?​How can we maximise our revenue and minimise our costs?

**What should you seek to understand about your clients?**​

· Industry or sector

· Strategic objectives

· Values

**Understanding the industry or sector**

Understanding the industry or sector in which your clients operate will enable you to appreciate the key issues, challenges and opportunities facing organisations in that sector.​

Many law firms present themselves as being 'sector-focused.' Common sectors that you will see referred to in law firm websites are:​

Financial services​Healthcare/life sciences/pharmaceuticals/medical negligence​Technology, Media and Telecommunications​Energy​Sports​Infrastructure and transport​Retail, hospitality and leisure​

The advantage of a sector-focused approach is that legal professionals from across different practice areas or specialisms within the firm can collaborate to build expertise around common issues that impact clients within those sectors and offer a service that is focused on clients' needs.

**Understanding strategy**

A business strategy outlines the plan of action to achieve the mission and set objectives of an organisation. A successful strategy guides the decision-making processes and ensures that the organisation can maintain a competitive advantage in its market. ​

In his book on Contemporary Strategy Analysis, Robert M. Grant lists four common factors to a successful strategy:​​

Clear, consistent, long-term goals ​​Profound understanding of the competitive environment ​​Objective appraisal of resources ​​Effective implementation

**Strategic objectives**

Strategic objectives (sometimes called **goals** or **aims**) are the high-level measurable goals with delivery dates. Examples of different types of strategic objectives are:​

**Growth strategic objectives**: expanding into new markets, growing market share, launching new products or services​

**Financial strategic objectives**: improving financial performance, increasing profitability, reducing costs​

**Customer/client-focused strategic objectives**: improving customer satisfaction ratings or feedback, increasing customer loyalty​

**Social and environmental strategic objectives**: reducing carbon footprint, engaging in social impact or community projects, increasing the representation of women or minority ethnic employees in senior leadership roles

Understanding a client's strategic objectives is essential to tailoring your legal advice to help a client achieve them.

**Understanding values**

An organisation’s values are the set of guiding principles and fundamental beliefs that help a group of people function together as a team and work toward a common business goal. Company values help businesses grow and evolve without losing focus on what is important to them and what they stand for as an organisation.​

Some examples are: respect, loyalty, integrity, accountability, simplicity, value-centricity. Most business explicitly state their values on their website or other publications. ​

Organisations often prefer to work with suppliers or advisers whose values align with their values.

**Useful business analysis models**

There are many models and frameworks that are used to analyse organisations and sectors. Three of the most commonly used models are:​

PESTEL analysis: a tool used to evaluate the impact of external forces on an organisation or an industry sector​SWOT analysis: a strategic planning tool used to evaluate an organisation's competitive position and examine strengths, weaknesses, opportunities and threats​Porter's five forces analysis: a framework used to identify the main sources of competition within an industry or sector​

These models are mostly used for strategic planning within an organisation, but they are also a helpful way to gain an understanding of your clients and the sectors in which they operate.

**PESTEL analysis**

A PESTEL (sometimes also referred to as PESTLE) analysis is a framework for analysing the macro (external) forces impacting an organisation and its performance. It can be used by management teams in their strategic planning processes.

**Political**: the impact of government policy, political stability (or instability), corruption, trade policy, employment laws, etc.

**Economic**: including exchange rates, inflation rates, interest rates, unemployment rates, disposable income of consumers, etc.

**Social**: social and cultural factors such as population growth rate, age distribution, lifestyle attitudes, cultural norms, etc.

**Technological**: impact on ways of working, demand for particular types of service or product, cost of production, etc.

**Environmental**: impact of pollution, climate change, scarcity of raw materials, weather, etc.

**Legal**: impact of laws and regulations relating to consumer protection, discrimination, copyright and patent, health and safety, etc.

**SWOT analysis**

​A SWOT analysis is a commonly used strategic planning tool to assess key issues from the external environment (opportunities, threats) and the internal strategic capabilities of an organisation (strengths, weaknesses) ​

Organisations that identify and exploit the **opportunities** and respond effectively to risks and **threats** are able to generate value for their stakeholders. ​

In order to develop and evaluate potential strategies, an organisation’s **internal** **capabilities** (**strengths**, **weaknesses**) need to also be assessed.

**SWOT example**

Your client, Vidlen Co, manufactures and retails luxury consumer goods, including watches, jewellery and handbags. It has customers across many countries worldwide. ​

Vidlen has recently analysed its strategic position and has identified a number of factors which it believes could affect its future strategy and performance.

Two of Vidlen’s competitors have launched popular new ranges of jewellery**​ (threat)**

Excellent reputation for product design**​ (strength)**

Reliance on a very small number of suppliers for key raw materials**​(weakness)**

Increased consumer spending on premium brands globally**​ (opportunity)**

**Porter’s five forces analysis**

Porter’s five forces framework is a method of analysing the main sources of competition within a business or industry. This analysis can help in assessing the attractiveness of a particular industry and evaluate investment options.

**Competition amongst existing competitors**​

Who are the competitors, how much competitionis there, how intense is the rivalry, how are the products differentiated? Where rivalry is intense, organisations must differentiate their product, cut prices or use high-impact marketing campaigns.

**Threat of new entrants**​

Profitable industries will attract new entrants. Consider the potential numbers of new entrants and the barriers to entry, for example the cost of entry, regulatory barriers, difficulty of differentiating new products, brand loyalty, difficulty of finding suppliers.

**Threat from substitutes**​

What is the risk of consumers switching to an alternative type of product? Is there a cost of switching, is there typically brand loyalty, how similar are the alternative products?

**Bargaining power of suppliers**​

How many alternative suppliers exist, how easy and/or costly is it to switch suppliers?

**Bargaining power of buyers**​

What is the size of the market, how price sensitive are the customers, is there brand loyalty, what are the available substitutes, what is the cost to the buyer of switching to an alternative product?

**What can you do to develop your understanding of your clients?**

You can take any of the following actions to gain a better understanding of the clients you act for and the industry or sector that they operate in:​

Follow or subscribe to relevant publications​Follow relevant organisations​Read company websites and annual reports​Attend relevant events ​Apply one or more of the business analysis frameworks

**Summary**

Understanding clients and their personal and business objectives is important to delivering a valuable service and building strong relationships ​You should seek to understand the industry or sector in which your clients operates and your clients' strategy, strategic objectives and values​Business analysis tools such as PESTEL, SWOT and Porter’s five forces are useful models to understand client organisations and the sectors in which they operate