Evolve your marketing budget

The budgeting process at professional firms swallows up huge amounts of time and effort from partners, management and marketing teams. In the current economic climate, how can marketing and BD evolve from being perceived as expenses to being positioned as assets driving revenue?


By Ed Schechter, Adam Severson,


Katherine D'Urso and Richard Alonso

The marketing budget in a typical professional firm can be viewed as evolutionary. In early stages, there may be a single marketing account, with budget items simply reactions to fee-earners asking for things. Later stages tend to be more analytical, with marketing leadership looking at the value of what a firm gets from its marketing and business development activities. Most critically, marketing and BD need to evolve from being perceived as expenses to being positioned as assets driving revenue.

What should be the starting point for the marketing budget? Last year's budget, plus or minus a percentage? Or a percentage of projected revenue? Or zero-based budgeting, where each year every expense must be justified with a rigorous business case? (see box opposite). Zero-based budgeting is clearly a good choice. However – coupled with zero-based budgeting – the best starting point would be: tying the budget to the firm's objectives and strategies for the coming year.

Tying the budgeting process into firm strategy

The firm's objectives and supporting strategies should determine the what, why and how of identifying and maintaining strategic Marketing & Business Development (M&BD) initiatives that deliver expected results. Sometimes a firm has a document stating its strategies, and this makes a marketer's life easier. But even without such a document, every firm should have areas of formal strategy – services, sectors and markets – encompassing the growth of both mature trees and promising seedlings.

After identifying a firm's key strategic themes, the marketing budget can be broken into separate 'buckets' for each theme, and these can be used to identify each line-item. Not all strategic areas will need marketing money and resources; for example, some will need to focus on lateral recruiting. If marketing rather than recruiting is wanted, tactical investments should be matched with the particular needs of a practice area.

Some marketing activities may be done firmwide for all practices. Others may be based on a practice's very specific goals. And there may be some functional areas that may team up with marketing to accomplish key objectives. These are often either overlooked or confusing, but key investment opportunities. Remember that precedent does not work when it comes to budgeting! Just because we've done it before doesn't mean we should make the same investment going forward. Also the budget needs to stay flexible – so when winds change, sails can adjust.

The budgeting conversation

One sign of the maturity of a firm's marketing budget may be the timing of its annual approval. In examples where fiscal year matches calendar year, a typical corporate business might start the budgeting process in July. However, a typical professional services partnership might not start until October, hoping for January approval, but at many firms not getting final approval until February, March or April – a quarter into the budget's year!

It is not unusual for marketing budgets to be revised several times in the course of the year. At professional firms, the budgeting process can swallow huge amounts of time and effort from partners, management and marketing and accounting teams. However, a constant budgeting conversation often masks the need for a detached, analytical focus on strategic assets that dependably deliver results.

It is key to have the conversation focus on firm strategy and key strategic themes using the language of the firm's business and client needs, rather than focus on 'marketing projects' using marketing jargon. This approach will give proposed investments a better shot at being understood and approved. Consider how clients want to interact with the firm.

Where appropriate, budgets should be

from expenses to investments

shared across practices being woven into strategic initiatives. This often is the driver that breaks down functional silos working independently. Investments should become multi-function marriages, bringing marketing together with technology, accounting, library and HR departments, as well as with practice groups and individuals. It is especially critical to start a dialogue among the functional leaders on cross-over projects to meet market needs.

ROI or value?

The term ROI implies access to numbers for interchangeable entities (eg. a press release, conference sponsorship, event series, RFP response) to come up with a percentage of cash generated from investments. In actuality, the long-term results of most marketing investments are difficult to track, with most evidence anecdotal. Nonetheless, anecdotal information can lead to value statements. And where there are stronger business development capabilities, one can measure a number of things where there is not direct causality. One of these things is the ability to look at activities and results that lead to increased billings. Nonetheless, although professional-service marketing is trying to move closer to ROI, it is still very much in the value camp.

The highest values can be achieved by having fee earners personally accountable for maximizing the value from a marketing activity. The marketers cannot do it all for them! At one firm, after a shift to partners reporting on M&BD activity at practice group meetings, there came a wave of greater and better M&BD (which was also good advertising for the marketing department). Marketers then wrote about the value and return of successful activities, and partners took ownership very effectively. By giving kudos within a firm, more successes will come. Nonetheless, the marketing department needs long-term grit and staying power.

Transparency and internal communication

In the earlier stages of budgetary evolution, there may be one bucket or cost center (eg. 'Marketing, Misc.') with most of the marketing spend and no transparency on who is getting what. Some partners may think they can never get money, and others may be getting way too much. Besides instituting more cost centres (eg. PR, events, pitches) to get a better idea of where money is going, the solution would be to institute more transparency.

However, this can lead to the opposite problem: sharing too much information on who is getting marketing money, begetting rationalisation and competition amongst some partners. At one firm, there was access to lots of budget data; but from seeing certain information, partners misbehaved. Then the firm began reporting by practice and partner – with metrics of

How to assess proposed marketing investments (pursuits & activities):

1 What is our current relationship to the clients/prospects?
2 What is the potential value of the work? Is there potential for a long-term relationship?
3 How sensitive to rates are the clients/prospects in their decisions?
4 Are incumbents in place doing this work, or is the work new or expanding?
5 How do these clients/prospects fit the targets and goals of the practice group or office?
6 What quality of contacts and inside intelligence do we have at the clients/prospects?
7 Are the lead fee-earner and others available within the deadline or time constraints?
8 Do we know the competition? Are we or another firm favorites?
9 Are there potential client conflicts? Can we meet or exceed all requirements and issues?
10 What is our estimated probability of winning the work?

Rate each of the above factors individually and collectively prior to approving a marketing investment. Compare this opportunity to an overall evaluation against all others for your firm, its potential value, and its priority relative to your firm's objectives and strategies.

money spent and subsequently billed – and saw how well the marketing initiatives were doing. 'Put up or shut up' reinforced positive behaviour within the practices. It was very hard getting the financial reporting to this level, but when the partners understood budgeting and ROI, they were much more invested in following through with their marketing and explaining why to the other partners. Nonetheless, the evolution took time.

It is critical to gain insight into what information to provide. Start with the end in mind: what needs to get done and what is needed to make that happen. One needs to consider the impact of change management and that internal communication is everything. There may be numbers and reports, and it may be the right thing; but partners may not understand and may react negatively. It is important to examine and communicate, 'this is where we're going and how to get there', and a lot of this may rely on intuition.

The importance of leadership

Keeping perspective on strategy and the budget is a constant struggle: identifying core practice areas that are either already strong or that the firm wants to place bets on, and also reminding fee earners that the marketing budget should be spent on things that are a priority to the firm.

It is important to have leadership involved in the budget. Partners can sense if the leader cares. At one firm, the chairman affirms the approach of aligning marketing with firm strategies, and has agreed to be part of the escalation process for disagreements. If a partner disagrees with marketing's evaluation of a proposed investment, the CMO can say 'If you want to engage with Robert on the matter, feel free because he is your partner', which must be taken seriously. It is not policy or a rule, but it is tremendous discipline. The person at the top needs to indicate continuous interest in the budgeting process. Otherwise, the marketers get bullied, and the firm wastes marketing money and resources.

In a professional firm, the values of strategy and personal accountability are key. This works best if the themes of collaboration and discussion come from the top – not perceived as dictatorial, but looking like longstanding firm values that predate the current players.

An example from law firm Faegre & Benson

For a professional-service firm to move towards a zero-based marketing budget, it must first have analytical tools in place. Faegre & Benson uses zero-based budgeting, but before that could be instituted, there was a transitional period of increasingly rigorous line-item budgeting, development of a year-over-year spend analysis, centralising of industry sponsorships, and auditing of key contracts. Next, partners and practice groups were asked to build business cases for the marketing sacred-cows. One result was the firm's chairman killing his own pet project. For leaders of partnerships, actions speak loudest. Ending an old activity or starting a new one – and saying why – sends the message that the firm shall be run like a business.

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Another example from law firm King & Spalding

King & Spalding also uses zero-based budgeting. Additionally they have an 'investment pool', with the goal of funding good marketing ideas that come up at all times, not just at budgeting time. The funding process requires a business case, accountable fee-earners, and evidence of personal investment – in money or time (eg. 'I'll pay £500 if the firm will pick up the rest.'). A proposal also needs the support of at least one leader of the strategic initiative groups, which align with the firm's strategic plan. Cross-practice and cross-office justifications bolster a case. The CMO frequently patches together syndicating support and funding, and moderates conversations between groups. There is a real emphasis on promoting partner-to-partner discussion, collaboration, and accountability. In tandem with the investment pool is a matrix showing fee-earners who have what funds and why. This transparency is a key way to encourage responsible requests.

The ascent of marketing

One of the best areas for the marketing department to shine (and where most do poorly) is in implementing a rigorous process to identify the M&BD activities with the strongest ROI (see box on previous page).

Firm partners often think that this year's marketing spend should bear its fruit next year. Marketing needs to move the partnership to see bigger expenses (eg. website and CRM upgrades, or revamped bios and collateral) on multiyear horizons – and to measure the returns accordingly. Using benchmarks from similar firms (and carefully defining 'similar' as: same stage of growth, same size, or other appropriate attributes) can help a marketer make this case.

After choosing and investing in the marketing initiatives that meet the firm's strategic objectives, marketers (with the right tools for measurement) can monitor these initiatives and track the returns. Then a new way of looking at the budget can be: The ROI of today's spending/investing becomes quantifiable because it results in future returns.

This is how the marketing budget can evolve from expenses to investments.

Ed Schechter is a growth architect, innovative CMO, and client-value driver. Contact: emschechter@gmail.com.

Adam Severson is chief marketing and business development officer for law firm Baker, Donelson, Bearman, Caldwell & Berkowitz, PC. Contact: aseverson@bakerdonelson.com.

Katherine D'Urso is chief marketing officer for King and Spalding Contact: kdurso@kslaw.com.

Richard Alonso is president-elect of the Legal Marketing Association's Metro Philadelphia Chapter. Contact: lanalon@verizon.net.