Pricing – easy, isn't it?

Part 1

I've been training lawyers and accountants in value pricing for almost a decade now. I've worked with 100 or so firms, from niche sole practitioner up to top 100 (law)/top 40 (accountancy). Each firm that I work with has it's own priorities in terms of outcomes, for example improved negotiation skills among its fee earners and enhanced confidence in pricing. But all understandably ask for some idea of what the investment in training is likely to mean for the firm financially. I've generally given firms a fairly conservative range: if the firm invests appropriately in pricing (more of which in Part 2), they are likely to see an increase in revenue of 5-15%, some a little less, some quite a bit more.

In this first part of a two-part blog series on what it is that sees some firms make a great success of their pricing projects while others don't do so well at all, I'm going to focus on the kind of problems that some firms encounter after they've had their initial pricing training and are tasked with embedding a new pricing culture across the firm.

I'd say that the firms I've worked with in pricing tend to fall into one of four categories:

- Stars, scoring say 8 or 9 out of 10 in terms of transforming their pricing culture and, as a direct result, their financials;
- Achievers, scoring a solid 6 or 7 of 10, these firm have done pricing well, sitting comfortably in my 5-15% range, often towards the top of that and probably know that they could do so much more, *'but, you know…';*
- B Players, scoring 4 or 5 out of 10, these have done OK with their pricing (possibly sitting towards the bottom of my 5-15% range) but haven't fundamentally changed, with too many in the firm allowed to go back to doing things as they did before their training;
- Recidivists, scoring 2 or 3 out of 10, having failed to embed any lasting change in pricing policies and practices and financially, barely done better than recover their intitial investment in the training.

In this first article, let's look at the B Players and the Recidivists and why they're neither Acheivers nor Stars. And remember, this is a blog, not a meticulously researched thought leadership piece! So without apology there's plenty of generalisations and – intentionally – lots of questions left open for further conversations.

B Players & Recidivists

This is by no means a scientifically arrived at breakdown, but of the 100 or so firms I've trained, I'd estimate that about 10% are Stars, 40% Achievers, 40% are B Players and 10% are Recidivists. If Stars have succeeded in permanently embeding a pricing culture and have recorded increases in revenue as a direct result of their training of at least 15%, then we can describe our bottom two categories thus:

- B Players – these firms have done more than dabble in pricing, and have reaped a decent return on their efforts. They've been diligent and competent in their attempts to embed a pricing culture, at least initially. But typically they'll have trained no more than half their professionals and invested little or nothing in ongoing training and pricing support. Yet they've done enough to add measuarably to the top (and bottom) lines. They've not succeeded in driving through permanent firm-wide change in policies and practices, and value pricing has become something that this or that team do well but others…*'not so* *much'*. A couple of years on from their training, these firms as a whole look much like they did before their training.

- Recidivists – these are the true dabblers who invest in training one group (typically chosen hierarchically rather than by practice group or service line) and then expect that group to 'train' or in some other miraculous way to 'persuade' the rest of the firm of the benefits of value pricing and indeed '*how to do it'*. Even these recoup the cost of their initial investment as its easy to garner a few quick wins. But with little or no visible leadership behind the project and a failure to train a critical mass of professionals, the project eventually withers on the vine, and busy professionals go back to doing what they've always done.

Our B Players firms no doubt enjoyed sufficient short term wins to generate enthusiasm for further training across the firm. In time, most or all the senior professionals (say 50-66% or so of the total fee earning staff) were trained. Profitability increased, and some teams within the firm do pricing really well while others don't, and aren't pushed to get in line. And over the next year or so, there is a failure to maintain critical momentum. Why? This will likely have been due to one of more of the following:

- A failure of leadership of the pricing project (either at the top or at practice area level, or both), a failure to set a clear direction of travel and to put real weight behind that vision;
- 'Stuff' gets in the way. For example, the firm might want to change the way it sets out the work it is to do for a client, using clear, unambiguous and brief templates rather than prolix 'client care' letters. But… every single part of the firm wants a say in how the engagement process is to be re-shaped, from compliance to board to marketing to practice area. And the

problem isn't solved but kicked into the long grass. Thus using their new pricing skills becomes yet one more job ('*another document to draft alongside the entire onboarding suite?'*) for our busy professionals. So what do they do? Rid themselves of the grit in their shoe and follow the line of least resistance, in other words, they go back to doing things the way they used to;

- A failure to grasp that embedding change in pricing policies and practices is a change management program and, as with any other change management program, gains need celebrating, momentum gained should lead to more change not less, more people then buy in to the direction of travel and 'stuff' isn't allowed to get in the way. Change needs project managing and too often we see it left to management or to big beasts, when pricing leadership requires the broadest of coalitions. And training 50% of your profesionals isn't generally enough to bring critical mass to the project;
- Lack of priortiy for the project and thus lack of leasdership and support. This one is the hardest to fathom. On what metric does the profitability of the firm take a back seat to other projects? But I've seen it too often: something like '*We've had our training and some are good at it, some aren't. That's just the way of things. And now we need to concentrate on the new PMS project…'*

Our Recidivists don't just fail on those measures, but on others too. Their failure begins with a failure to appreciate that pricing is a skill that needs to be learned and practiced. And its not confined to small or High St firms either (though it is a failure perhaps more common in sub-£10M turnover firms). I've had more than one firm in the £25-50M turnover range ask me if would '*just train the heads of department*' for '*maybe half a day?'* As if doing so would magically tranform the firm's pricing capabilities and the firm's profitability! With the greatest of respect, and for a few reasons, the very last people who should be tasked with training others are a firm's busiest, most senior people.

Our Recidivists tend to expect miracles, while putting little or no effort in themselves. And when miracles don't happen, pricing is dismissed as a fad, something that just doesn't work, or at any rate not '*in our markets/our region/with our clients'.* Funny that. It works in just about every market, region and sector, if its taught well and applied well.

But in answer to the question posed in the heading of this piece – no, I'm afraid its not easy. If it were, all firms would be hugely succesful at it, like our Stars.

We've looked in Part 1 at the failings of B Players and Recidivist firms. In Part 2 we'll look at what sets the Stars and Acheivers apart, and what your firm could do to join them.

Nigel Haddon, Manchester, 31.03.23

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