


APAC Law Firm
BDMC Budgets
& Ratios



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In July '21 we facilitated another series of Roundtables with Law Firm Directors / CMOs from all over the APAC region – this time to discuss Budgets and BDMC : Partner Ratios.

Overall, 21 CMOs participated from Australia, Hong Kong, New Zealand and Singapore. We are pleased to be able to summarise the key themes coming out of these in this report.

How are budgets set – and who sets them?

Complexity of forecasting and budgeting is directly relevant to the size & shape of the firm. Setting budgets is complex and “a very robust process” for many, though some CMOs of smaller firms reflected we “need a nimble budget”.

WHO SETS THE BUDGET?

The budget setting process varied. CMOs from many global firms confirmed the Board ultimately set the budget with CMO input. Some CMOs described collaborative processes with the COO and CFO. Others experienced “global” setting the overall budget, with regional feeding into this. A couple of CMOs described an overall Business Services Budget set by the Board meaning that IT/HR/BD needed to collaborate to set budgets within this. In fact, collaboration was very much the key word.

HOW ARE THEY SET?

It also varied whether a top-down or bottom-up approach was taken. Ground-up processes being an opportunity to include senior team members in the process. Some firms have individual set practice group budgets whilst others have given the same

allocation to each “*analysis of budgets over the past 5 years showed a consistency across the practice groups and so we now take much more of a top-down approach*”.

For many firms some aspects of the budget tend to be based on the previous year’s spend, taken by many from 2 years ago, pre-COVID (e.g. client entertainment) – though other aspects were planned based on the BD strategy and projects in the pipeline. Many described a very detailed “line by line” approach. One CMO shared “*we set budgets as percentage of projected revenue*” which is then monitored regularly.

Budgeting was often described as being iterative throughout the year with business cases required “in fine detail” to change / increase budgets as required. “*Everything has to be justified.*”

A common strategy was also to “*push heavy in initial budgeting negotiations, knowing some will be ‘shaved off’ to get to the final number*”.

HOW ARE BUDGETS STRUCTURED?

“Our budgets used to be set based on previous spend, now they are aligned more towards BD strategy.”

There was a clear trend over the last few years for budget setting to be more closely aligned to the firm’s strategy. For some firms there is still a practice group focus - *“we have a one firm budget and then various practice group budgets”*. For a larger proportion of firms (certainly international firms) budgets are aligned to priority sectors and strategic clients as well as practice groups (regionally/nationally); these are over-arching or within budgets for local / country offices. *“Sector budgets are set based on strategic priority rather than by size.”* The matrix being more complex in APAC / global structures.

Global budgets for BDMC technology and are sometimes apportioned and recharged to the rest of firm.

ARE BUDGETS INCREASING / DECREASING?

The majority of CMOs have seen an increase on last year’s budget, though in most cases this is still a decrease from pre-COVID levels given the lack of entertainment and events.

SPENDING THE MONEY...

Several CMOs talked about their ability to utilise money from other budgets (such as practice group or central business services) *“to get the funds you need to be more strategic and spread the ownership”*.

One CMO reflected that, *“just because it’s in the budget doesn’t mean it’s signed off”* with other CMOs sharing that any spending over a nominal amount (sometimes as low as \$1k) needs sign off, in some cases from the CMO. Whilst onerous it was seen as a useful way of checking that activity (such as entertainment) was being spent in a targeted way.

BUDGETING IMPACTING BD CULTURE?

Budgeting also seems to be playing its part in forming a positive BD culture— as one CMO said, we have had budgeting aligned to sector and client strategy for several years but are *“now trying to drive the behaviour of Partners to think about BD spend in this way and to look at ROI”*.

When CMOs are new in a role, particularly if their appointment represented a new level of strategic investment for a firm, re-setting budgets to be led by firm strategy was a key priority. As one CMO commented *“it’s a good opportunity to engage with partners and have BD conversations”*.

WHAT IS INCLUDED IN THE BUDGET?

“My budget only includes the items which my team can fully control.”

For the most part, potential significant inclusions are: events, subscriptions, memberships, sponsorships, client entertainment, conference attendance, campaign based activity, digital marketing costs.

MarTech is included (at least partially) in some CMOs’ budgets but it seems more common to be led out of IT’s budget.

Client entertainment has firms taking a varied approach with some CMOs responsible for this and other firms having a *“separate pot for client entertainment to encourage 1:1 lawyer/ client interaction”*.

Travel is most often in another budget and set centrally or per practice group. A huge saving for firms since the start of the pandemic, one CMO shared that they have still *“ringfenced a modest travel budget in case the world opens up”*.

Salary for most, but not all, firms sits outside the BDMC budget.

L&D - in the groups where this was discussed it was clear that budgets were small and not always easy to access or promoted to the BDMC team. Perhaps a great way to differentiate for firms that invest in doing something more concrete.

What are firms spending more or less on?

“The change that COVID has had on budgets has been refreshing ... we’re now far more strategic about where we spend our money.”

↓ DECREASING SPEND

Memberships, Awards, Sponsorships

The message was very consistent from CMOs here...

“COVID was a good opportunity to look at the value of partnerships, awards and sponsorships” and move away from spending money here based on demonstrated low ROI.

“Membership budgets have been slashed.”

“COVID has led to a better level of discipline in reviewing sponsorships.” And where participating aligns to strategy – “we seek to negotiate, particularly for events which have gone online and so the prime networking component is lost”.

“Any award / sponsorship / conference is strategically assessed for ROI.”

“Memberships didn’t sit in the BD budget prior to me joining, they were hidden, there is now much more transparency around this.”

And for the minority of firms who did describe a net decrease in budget, this was the most common reason.

Client entertainment

When it came to discussing client entertainment – budgets were often smaller and more targeted but still a very important part of the equation.

Travel

Budgets have necessarily dropped. As one CMO commented this does have an impact on international referral relationships, international collaborative between Partners and international client relationships. “The question needs to be, if we’re not travelling, what are we doing – and what are we spending our money on to meet this need?”

↑ INCREASING SPEND

“More money than ever before is going into digital” to allow more live streaming events.

There is “more spending on strategic accounts” and “dedicated client programmes” where expected ROI means “we can be quite flexible with the budget”.

There is higher spend on “issues-led marketing and campaigns”.

“There is not so much equitable distribution across practice areas as with previous years as front-end practice groups have better ROI on their marketing budget.”

There is a “greater focus on systems, processes, automation with central, standardised process teams”.

“MarTech has exploded” as well as other client engagement tools. “We’re spending more money on clients and client service delivery, it’s not all MarTech”.

“Partners are much more aware of the importance of staying connected to clients, particularly during lockdown and what systems/technology are needed to support this.”

One group discussed the difficulties of staying ahead with technology when the spend approval process in a global firm can take so long – there was general agreement that smaller firms can move faster when CMOs secure buy-in.

How are rising salaries impacting budgets?

“Rising salaries are a great thing for the industry”... it means BDMC professionals “will be taken more seriously and the low value aspects of BD will not be in the JD”.

Everyone attending the roundtables was aware of the large increase in salaries happening across the APAC region, particularly for BD focused roles. *“The market is very competitive for talent which is affecting supply and so then affects REM budgets.”* In some cases CMOs *“are now deploying signing-on bonuses to secure the right talent”*.

Many CMOs has positive stories to share about having successfully increased budgets to acquire the talent they needed for their teams and it was pleasing to hear conversations internally which were focused on *“value and ROI over fixation on a budget no longer relevant in this market”*.

“We have recalibrated our team and brought in more senior people” which has *“elevated the reputation of the team, leading to better access to funds to increase headcount. In some cases, salaries (when recruiting) have been 15-20% more than expected so I have made a business cases based on elevated perception of BD in the business which has been successful.”*

It was clear from the conversations that when a firm’s MP/CEO *“understands if we want excellence we have to pay for it”* salary conversations are easier and more strategic.

“We have a clear firm strategy which means I can align BD strategy (and headcount spend required to fulfil this) very effectively.” The partnership is very receptive to asking *“are we using our senior BDMC people in the right way to get ROI”*.

Some CMOs reflected on the need for cool heads and some calming of the current salary range push. *“Some candidates can name their price, which means as a business we need to understand the value of the role in the business, and, what the role can genuinely offer from a career perspective to manage expectations.”*

‘BUDGET SMART’ RESOURCING MODELS

Many CMOs believe increasing salaries are moving the activities of people in their team up the value chain. This is one factor (amongst others) driving the strategic use of junior lawyers, law grads and paralegals for ‘lower-level’ BD activities and project work.

For global firms there are usually off-shoring, low-cost centres to manage this work – and a couple of national firms also described outsourced solutions for data and functional activities of the BDMC team. CMOs described differing levels success and quality from these shared service centres which likely reflects where they are in their life-cycle of developing these centres.

“Our headcount budget is getting easier as we now have a centralised junior resourcing model which means that I can be more specialised in hiring into my team.”

There isn’t really a similar trend of hiring a resource into a smaller centre (whether Vietnam or Adelaide) purely for cost savings – firstly because it’s just harder to find good people in these places, but secondly due to the challenge of Partners not understanding why someone was *“taking up office space but not supporting them”*.

Some CMOs are proponents of independent consultants - *“we can spend money to create a role or use a consultant for a period of time ... it is always a strategic choice”*.

HOW ARE SALARY BUDGETS SET?

Many firms took an iterative approach to salary budgeting with detailed business cases being created throughout the year to meet the market on hiring and adding new roles required. Several CMOs have a top-line salary number to work with, meaning salary bandings per role are left to BDMC leadership to decide – while other CMOs experienced salary budgeting per role.

Global firms may have a global comp team, smaller and national firms often relying on HR and Finance.

With salary increases extending way beyond inflation, market salary data is important. Many commented that Mercer or AON data and the like was often not reflective of what’s happening in our specialist market and that the Seldon Rosser benchmarks added a lot of value to internal discussions. Some firms see the data available as being “too top tier” though it was discussed that this misses the point that firms are all competing over the same talent. The fact that this issue is affecting the BD market in particular can cause political issues when compared to slower salary growth for HR and Finance.

DIVERSITY IMPACTING BUDGETS

Given the industry is so highly dominated by women, one CMO with a large team budgets for a calculated average of parental leaves per year – the costs of covering a team member needing to be completely market driven. There was interesting discussion about the rise of men taking parental leave too and the potential for this to continue and be for longer periods, which doesn’t change the budgeting issue but makes it less gender focused.

Retaining good people

“We have been aggressive in paying salary increases to retain star performers.”

CMOs are very mindful of retaining their top performers in this highly competitive employment market with some firms having a focused retention budget and tiered strategy for this year’s review period.

We need to “catch up with the market”. “We have identified those who are a flight risk and are looking at bonuses ensuring market level REM.” “I needed to do a big internal communications piece to explain what was happening in the BDMC market to the partnership and the need to respond or lose people.”

There seemed to be no magic bullet to this – financial bonuses remain the prime incentive for most as “money talks”, with one CMO sharing that when given the choice of cash of additional leave, no one in the team took the latter (perhaps given travel in the pandemic).

However, work/life balance and flexible working are still very important to many team members. And with flexibility sometimes being earned rather than given immediately on joining a new firm, it continues to have a place in retention of team members.

Resourcing plays into this with one CMO sharing “*some of my team said they would rather give back 5% of their bonus to go into a pot for extra resourcing so they aren’t spread too thin*”. Generous parental leave policies also continue to play their part. Job title changes and career development/L&D were good tactics for some last year in lieu of salary increases but are unlikely to have much affect alone in this candidate driven employment market without financial incentive.

“Retention strategy should be tailored for every team member.”

Parity issues continue to be a bigger problem for larger firms and larger teams. Most CMOs are working hard to increase salaries of their strongest performers at least to meet the market, though as the gap between market salaries offered and team salaries closes, it’s likely if the same supply & demand dynamics continue, this will just serve to push salaries up once more. Interestingly, a couple of CMOs commented that they find it easier to get generous pay increases for more senior team members as they are more visible in the partnership (and so they find it harder to secure these for juniors).

Partner : BDMC team ratios

We defined this as including all BD, Marketing & Communications. Several firms talked about newly created roles soon to be added to their teams which would improve these ratios and/or keep up with increasing Partner numbers.

We acknowledge that the science behind this is difficult to be exacting and so are providing the average ratios but also some explanatory notes.

FIRM TYPE	RATIO
Overall Average	1 : 4.3
International Firms – Australia teams*	1 : 4
International Firms – Asia teams	1 : 2.8
International Firms – APAC teams	1 : 3.4
National Firms – Australia	1 : 7.2
New Zealand Firms	1 : 4

Notes

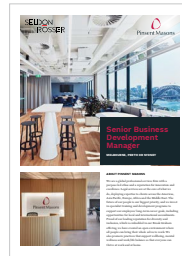
- Some Asia & APAC teams rely heavily on UK for central comms, marketing and pitching – as well as tapping into a global coordinator community.
- Many international teams rely on offshore follow the sun resources.
- Ratios are more generous to BDMC staff in Asia based teams due to (1) more marketing & events activity, (2) more smaller offices of maybe only 1 & 2 Partners that require their own on the ground support, (3) for some includes their Asia-based offshore group, (4) Asia requires specialist language skills (Japanese/Chinese) which can add to resource numbers.

*One firm was quite high with 1 : 7 ratio which skewed the results a little, without this firm the ratio would have been 1 : 3. That firm uses a lot of global resources for comms, digital.

About Seldon Rosser

Seldon Rosser specialise in finding Senior BD & Marketing Leaders for law firms across the APAC region. With a proven robust and rigorous search campaign process and an unrivalled network of candidates we can deliver a shortlist in a time and cost efficient manner.

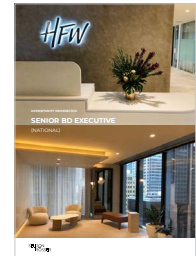
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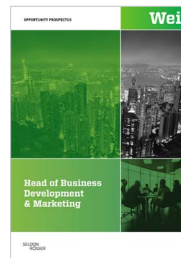
Pinsent Mason
Senior BD Manager



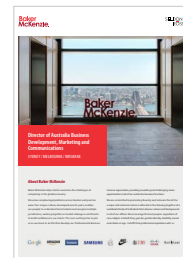
MinterEllisonRuddWatts
Director, BDM



Holman Fenwick Willan
Senior BD Executive



Weil
Head of BDM



Baker McKenzie
Director, Australia BDMC



Clyde & Co
Senior BD Manager

If you would like to discuss your current team structure or ask our advice on market trends please contact Graham Seldon or Katie Rosser.

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