How Strong Internal Networks Can Save Client Relationships

By Michelle Rogan , INSEAD Assistant Professor of Entrepreneurship and Family Enterprise

Organising a diverse team to service one client may minimise the risk of them switching firms on the coat-tails of a senior executive, but if the individual coordinating the network departs, the cost could be even greater.

Along with his uncanny ability to integrate clients' proposals into successful and profitable projects, Chris, a long-standing partner at a fast-growing U.S. architectural firm, had a bulging Rolodex and strong people skills. He was the company's rain-maker, ensuring their client books were full and giving them the edge over better known competitors. While he was appreciated by the firm's partners, they were also uncomfortable with the precarious position in which they were placed. They could sense Chris was becoming restless, and knew if he left many of their valuable clients could follow.

Having customers shift their business to a rival company on the coat-tails of a departing senior executive, is a continuing problem for organisations particularly professional service companies where clients work closely with single individuals, forming tight, ongoing relationships.

Keeping clients close

To reduce this vulnerability and the potential loss of an important customer, organisations often look for ways to weaken the client's reliance on a single individual within the firm. One way of doing this is to take on more complex work for the client - additional projects requiring extra hands and multiple skills outside the expertise of a single individual.

Bringing in different individuals from different parts of your firm to work with a specific customer has many benefits. As well as making it more difficult for an individual executive to take the client relationship with them to a rival company, it allows for the sharing of knowledge and expertise within the firm creating a better learning environment, spurring creativity and lifting overall performance.

There is, however, a downside.

A client team made up of individuals from different departments and of varying expertise requires much greater coordination. This is often addressed by appointing a single person, an executive who can oversee the various networks and act as a uniting link.

Coordinating a diverse team

In this case the firm brought in Bill, a founding partner who had worked in several departments and was able to connect people and ideas from different projects as required.

He ensured the diverse tasks ran smoothly, creating even stronger (multiple) bonds between his organisation and its client. Under Bill's guidance productivity increased and when Chris eventually left, the impact on the firm's productivity was negligible.

However, problems arose a year later when ill-health forced Bill's early retirement. Without an experienced coordinator, who understood the clients' total needs and the role of individual team members, the network cracked. A breakdown in communication between executives meant a doubling up of smaller jobs; knowledge sharing dried up; productivity fell; and the customer, feeling they were dealing with many small firms rather than one well-oiled organisation, took their work elsewhere. The cost to the firm was far greater than if they had left 12 months earlier.

To investigate the varied impacts the loss of an executive has on a company's performance my co-author, Forrest Briscoe, Associate Professor of Management and Organisations at Pennsylvania State University's Smeal College, and I looked at the effects on, and subsequent performance of, client relationships following the departure of lead partners from a large US-based corporate law firm between 1998 and 2007.

Our research, **Co-ordinating Complex Work: Knowledge Networks, Partner Departures and Client Relationship Performance in a Law Firm**, observed the networks formed to serve each client and measured the consequences of every lead partner's departure by comparing the billable hours of individual client accounts.

Importance of cohesion versus cordination

Our analysis showed that teams with diverse networks and those which included more specialists or experts, had greater productivity under a lead partner but were also more vulnerable to steeper declines in performance following that partner's departure. In fact as the complexity of a knowledge network increased the loss of the coordinating manager became more costly.

Interestingly when there was a high-level of cohesion between team members – that is, when the networks included lawyers who interacted with each other on several accounts – the decline in performance post-departure was significantly reduced. In fact if cohesion was high enough the departure of the individual lead partner had an insignificant effect on productivity of the firm going forward. These findings, which are relevant to any professional service firm looking to strengthen client ties through **multiplexity**, highlight the extra consideration that should be given to the internal networks servicing the client if firms are to maintain stability when an executive exits the scene.

Cohesion is the key to client retention

Manager mobility is costly for firms. Organisations, all too aware of this, have been looking for ways to mute the fallout. The focus to date has been on protecting themselves against the potential impact from the departure of rain-makers and thought experts. But, when taking on more complex work companies need to pay as much attention to the key role coordinators play and the damage their exit can have on client relationships and productivity.

If Bill's firm had thought about this and spent time increasing cohesion within their internal networks (encouraging interaction between teams and individual members) then his leaving may not have had such a devastating result.

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