Czech University of Life Sciences Prague

Faculty of Economics and Management

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Diploma Thesis

Marketing strategy of an international law company

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DIPLOMA THESIS ASSIGNMENT

Petra Cabadajová

Economics and Management

Thesis title

Marketing strategy of an international law company

Objectives of thesis

The main objective of this Diploma thesis is to analyse the marketing strategy of an international law company and suggest improvements. The additional aims are to monitor changes in the marketing strategy of the company compared to previous years and influences on the company's marketing activities caused by these changes. Other influences will be analysing based on regression analysis. This research will define the possible steps to further develop and improve their marketing strategy.

Methodology

There are two main theoretical methodological tools utilized in this thesis. The analysis of data, which will be provided by the international law company, and regression analysis that will be used to evaluate marketing processes based on the possible relationship between variables.

The hypothesis of this Diploma thesis is that there is an existing relationship between marketing variables which will be defined in regression analysis and which can influence the marketing processes of the international law company.

The proposed extent of the thesis
Approx 60 pages

Keywords
Marketing strategy, Law firm, Law company

Recommended information sources
ČECHURA, L. – ČESKÁ ZEMĚDĚLSKÁ UNIVERZITA V PRAZE. PROVOZNĚ EKONOMICKÁ FAKULTA. *Cvičení z ekonometrie*. Praha: Česká zemědělská univerzita, 2008. ISBN 978-80-213-1825-0.
CHRISTENSEN M. Clayton and others: HBR's 10 Must Reads on Strategic Marketing (with featured article "Marketing Myopia," by Theodore Levitt. Boston, Harvard Business Review Press, 2013. ISBN: 978-1422189887.
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Statutory declaration

I declare that I have worked on my diploma thesis titled "Marketing strategy of an international law company" by myself and I used only the sources mentioned at the end of the thesis.

In Prague on 30th March 2016   _____

                                                                    Bc. Petra Cabadajová

Marketingová strategie mezinárodní advokátní firmy

Marketing strategy of an international law company

Souhrn

Tato diplomová práce popisuje mezinárodní advokátní kancelář vybranou autorkou práce a její působení v marketingové oblasti. Literární rešerše je aplikovaná do marketingové strategie dané firmy a s ní spojených aktivit. Následně je tato strategie kriticky vyhodnocena a analyzována regresní analýzou. Regresní analýza se skládá ze tří modelů: jednorovnicový model, lineární regresní model (upravená verze předchozího modelu) a simultánní model. Analýzy zkoumají schopnost vybrané firmy vyhrát podané nabídky klientům a faktory ovlivňující počet realizovaných firemních projektů.

SWOT analýza poskytuje detailní výzkum interních a externích faktorů, které ovlivňují firmu. Analýza také popisuje pozici vybrané firmy na trhu. Předpokládaný vývoj firmy a doporučení, týkající se vývoje firmy nejen v marketingové oblasti, jsou prezentovány v návaznosti na závěry, vyplývající z analýz obsažených v této diplomové práci.

Summary

The diploma thesis is describing an international law company selected by the Author from marketing perspective and its comparison with theoretical concepts. The literature review is applied to the marketing strategy of the selected law company and their marketing activities. The strategy is than critically evaluated and further analysed by a regression analysis. The regression analysis consists of three models: One-equation model, Simple Regression Model (which is improved version of the previous model) and Simultaneous model. The analysis examines the company's ability to win offer(s) submitted to a client and factors influencing the number of matters of the selected company.

SWOT analysis is providing a detailed research of internal and external factors influencing the company. The analysis also describes the position of the selected company on the market. Forecast of the future development based on current trends and recommendations for further development of the company, not only in the marketing field, is presented in the conclusions of the thesis.

Structure of Diploma Thesis

Seznam zkratek

B2B marketing	Business-to-business marketing
Cap Stat	Capability Statement
E	Elasticity
IA	Investments in advertisement
MemT	Members of team working on individual matters
NoC	Number of company's clients
NM	Number of Matters[1]
OLSM	Ordinary Least Squares method
OS	Offers submitted
PR	Public Relations
PS	Pricing structure
R^2	The coefficient of determination
RFP	Request for Proposal
S	Sales (turnover)
TSLSM	Two-Stage Least Squares method
UV	Unit vector
WO	The winning offers

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[1] The matter is specific term for a deal related to the legal practice and used in the selected company.

1 Introduction

Any company that is providing services or products needs to attract its customers in today's competitive world. As the competition can be fierce, quality and price are not always the main decision making factors of customers. It is important to know the target group of company's interest, their delights, potential and current competitors and the market in which the company operates. Company can manage these factors by a well-structured marketing strategy which is an important part of the business plan of many companies. However, the importance of marketing strategy and marketing as a whole is still sometimes underestimated.

The law market is highly competitive and marketing activities are needed to support the law companies' goals. Marketing for law companies relies on a business-to-business approach and the relationship between a lawyer and a client is the key to the business. This diploma thesis focuses on the marketing strategy of an international law company and provides a detailed analysis of the selected office of this company in the Czech Republic. The topic and the specific law company were chosen for the Author's personal reason.

The second chapter defines the main aims and objectives of this thesis. The hypothesis is introduced and based on the results, the hypothesis will be proved or disproved. The methodology subchapter specifies the methodological tools used for analyses and defines the reasons for the selection of these tools.

The third chapter describes the marketing in a company in general terms and the importance of lawyers' relation to a client through the marketing activities. The selected company is introduced and denoted for further description. The theoretical background of each chapter is always applied to the case of the selected company and compared with theoretical concepts.

An important part of the marketing strategy is marketing plan. Its creation is described in detailed steps in the relevant subchapters. The thesis also comments on the common mistakes related to the marketing plan preparation. After the theoretical description, the marketing plan and its application is discussed in relation to the selected law company.

As one of the largest law companies in the world, the global marketing of the selected company is being assessed by its pluses and minuses related to the efficiency and externalities of the business activities. The selected office in the Czech Republic and its Marketing

Department is introduced and their ongoing problems are discussed. Competitors and their market positions compared to the company are also specified.

One of the main tasks of a marketing department in any law company is the preparation of offers for their clients. To understand the complex work of the Marketing Department and the differences in the most common marketing activities, the detailed structure of offers and their pricing are included in this thesis. These chapters are taken into account in the selection of variables in the regression analysis that follows them.

The traditional marketing tools of the selected company are described in the chapters about advertisements, social media and their web pages. Each chapter analyses the quality and efficiency of the marketing tools used in the selected company and possible improvements in this field.

One of the methodological tools applied in the thesis is the regression analysis. The regression analysis is separated into two parts – testing by the One-equation model and the Simultaneous model. Both models analyse the relationship between the dependent variable(s) and independent variables. The selected company is analysed by the SWOT analysis, which is the second methodological tool of this thesis and defines the external and internal factors affecting the business processes.

2 Aims, objectives and methodology

2.1 Aims, objectives and hypothesis

The main aim of this diploma thesis is to analyse the marketing strategy of an international law company (the company's name is confidential and therefore cannot be disclosed) and suggest possible improvements to it. The additional aim is to create an overview of the marketing strategy changes in the company over the last three years and their impact on the company's marketing activities.

In order to achieve these aims, detailed data were collected from the company's databases. Other factors influencing the ability to win offers and receive matters are further analysed from collected data by use of regression analysis. This research then defines possible next steps to further develop and improve the marketing strategy of the selected company.

The hypothesis of the diploma thesis expects an existing relationship among the individual marketing variables (defined in regression analysis) impacting the ability to win the offers which can also significantly influence marketing processes of an international law company. Importance of the marketing department has been continuously increasing as it has got more involved in the company's everyday business processes.[2]

2.2 Methodology

The diploma thesis utilizes two main theoretical methodological tools: firstly, the analyses of the data provided by the selected international law company and its marketing department, and secondly, regression analysis used to evaluate the marketing processes based on the possible relationship among variables.

The regression analysis is based on two models. The first model, One-equation model, analyses the relationship among the dependent variable of Winning offers (y_1) to independent variables Offers submitted (x_2), Pricing methods (x_3), Investments in advertisement (x_4), Number of company's clients (x_5), Members of team working on individual matters (x_6) and Number of Matters (x_7). The second model, Simultaneous model, analyses the relationship among the variables One-equation model and the variables of second equation where the

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[2] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

dependent variable Number of Matters (y_2) is influenced by independent variables Winning offers (y_1), Number of company's clients (x_5) and Sales (turnover) of the company (x_7).

The monthly data for the regression analysis comprise of the time period between 2012 and 2015 and are focused on the area of the Czech Republic. The time period was chosen to limit the influences caused by merges and acquisitions of the Company with other companies before and after this period. The research method was chosen as the most relevant for this analysis because of the complexity of the data, the likelihood of getting biased data which can be discovered by testing and the possibility to forecast next development in subsequent years.

As every company, including the law companies, should have adequate information about the market environment in which it operates, another analysis run as part of this thesis is a SWOT analysis. The SWOT analysis defines internal and external factors influencing ability of individual corporations to successfully compete with other businesses and offer the best services to their clients in 4 groups: strengths, weaknesses, opportunities and threats.

3 Theoretical background[3]

3.1 Marketing in a company

Companies in today's world understand that strong business development connected with well managed marketing is crucial for the success of a whole firm and the professional services they provide. Marketing supports creativity and branding in every company.

Business plan and marketing plan support the business steps of a company. Nevertheless, formal business plans are not always needed. [16] Every business should understand their company values that helped to create their position on the market. Companies focus on specific market targets and communicate with these through companies' missions and visions of their future perspectives. However, formal business plans are not needed in many companies providing services if they do not want to raise their capital or not seeking new investors. [16]

A marketing analysis can define opportunities in various industry sectors. Company's interests could be seen from different points of view which lead to defined market opportunities and receives new deals and contracts. Important part of marketing as a whole is to analyse pricing and willing of customers to pay for a service or a product. Understanding of company's customers and their delights is important part of marketing activities. [6]

3.2 Introduction of the Company

Information and data were provided by the international law company under a non-disclosure agreement to protect the privacy, business know-how and internal processes of the company. Leak of any such information could negatively affect the company and its business itself and even threaten their existence in the Czech Republic. The diploma thesis is under the confidential status and the international law company will be further denoted as **the Company**.

The Company in its current form has been formed by mergers and acquisitions of a number of international law companies around the world. The new name of the Company

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[3] In this chapter, the Author has applied the researched literature to the situation of selected company in the interest of clarity.

was created by combination of the original companies' names. Today, the Company is one of the largest international law companies having offices and associated offices in more than 50 countries.

The Company's vision is "to be the international law firm of the future – right now"[4]. To achieve their vision, they prepared strategy based on growth, integration and constant improvement of business. Their overall strategy is based on the core idea that a client will find them everywhere. This is the reason why they decided to merge and acquire with many different companies in the last three years. The Company is planning further expansion in the future.[5]

Every company should be able to find their uniqueness. The Company differs themselves from their competitors by polycentric approach. Their culture is defined as nationally non-dominant and the whole Company is therefore not led by one global headquarters. The services supplied to the clients are provided by qualified lawyers who could be found in many different countries. The Company expresses their corporate culture as the key element that differentiates them from the competition.[6]

3.3   Lawyers and their role in marketing

Many lawyers think that marketing as a whole is not a necessary field having only side role for a business. Contrary to this belief, marketing place an important role in each company, not only in law companies. Marketing for a law company has different forms and varies from the typical known marketing because the main work of the respective department is preparation of offers for the clients. In reality, lawyers are integral part of marketing and their cooperation with company's department leads to higher probability of the company's success as a whole and satisfying their clients.

The law market is nowadays very competitive and lawyers are practically forced to keep and expand their contacts network in order to continuously generate revenues. Lawyers make the value for their clients by interacting with them and with the society. Significant marketing activities of lawyers are for example writing articles and press releases in news and

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[4] The official web site of the Company
[5] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[6] The official web site of the Company

magazines, speaking on the presentations prepared for public or the clients. Those interactions help lawyers to develop their social skills and create reputation and better position for future cooperation with the clients. "Lawyers who are actively engaged in marketing activities… often are more proactive in advising clients about developments, and bring a highly valued external perspective to their engagements." (SCHMIDT, J. Sally, 2006)

Lawyers should spend certain amount of hours on the marketing activities. [15] The required amount is categorized by the position of the lawyer in the company. The higher position the lawyer has the more often they should be in the contact with the current or prospective clients. If a lawyer is a junior associate or new to the practice of law, they should spend total of 50-100 hours per year on interaction with clients and contacts (visits, business lunches or calls). A senior associate should spend two times more hours per year (100-200) than a junior associate. To be successful in the business, a partner should spend 250-500 hours per year on marketing activities and interaction with clients and contacts. [15]

In the Company, the average of spend time on marketing activities varies according to the position and expertise of the lawyer. Usually they do not spend the same amount time every month. The time spent on marketing activities varies, for example, according to the time demanded on matters' work and lawyers' ability to cooperate and organise the schedule, The amount of work fluctuate throughout the year and therefore lawyers' possibility to focus on the marketing activities varies as well.

The Counsel of the Company spends approximately 2-10 hours per week on marketing activities.[7] He also claimed that the contact with the current or potential client is the most important task of the lawyer. The lawyers' activities are not always formal; informal contact and cooperation could be also valued. "The best deals are closed with the client in a pub after the official working hours".[8] However, this always depends on the type of the relationship with the client and is not always applicable.

A nice example of an event for both businessmen and businesswomen is "Drink before home" which supports the interaction with clients in the informal way. The event is regularly organised by the CIJ journal[9] for real estate professional. Drink before home supports dialogue with local professionals for helping to grow their knowledge and connections in this

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[7] Interview with the Counsel of the Company
[8] Interview with the Counsel of the Company
[9] CIJ Journal. 2014 [online]. Available at: http://cijjournal.com/cz

field.[10] The Company, as the only law company presented at this event, has an exclusive position which creates the Company's visibility advantage compared to their competitors.

More formal interaction with the clients are e.g.: presentations about changes in legislation. They have been organized for the clients of the Company and had usually positive feedback from them.[11] However, the presentations were not organized very often due to the cost of individual events and more demanding time and resources for its organizing.

Related to the traditional marketing, the Company published 15 articles in 2013, 29 articles in 2014 and 42 articles in 2015.[12] The articles are usually about the Company's internal changes (e.g. merges) or new members to the Company. The majority of articles consist of lawyers' inputs and opinions on specific topic related to the law market. Even the amount of published articles has been continuously increasing, the popularity of writing articles was not high from the perspective lawyers because of the necessary time needed to prepare the articles.[13] The positive relationship between the marketing department and some newspapers or magazines (such as E15, Ekonom, Hospodářské noviny etc.) has led to friendly cooperation limiting leak of inaccurate statements or information. The good working relationship with public media leads the clients' trust into business in the long term perspective.

The Company has a very good position on the market and their lawyers are very well known to the industry. This advantage in real world means that businesses are often given to the Company through the existing relationship between the lawyers and the Company's clients. However, the Company changed its name (brand) three years ago and now again. Even though they have the advantage of stable market position and positioning, the direct marketing activities focused on informing clients and public about the organization changes were not intensive[14]. "The names of competitors are usually more recognized by public."[15] The strength of a brand is core success of many businesses.

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[10] CIJ Journal. *DBH*. 2016 [online]. Available at: http://www.dbh.cijjournal.com/cz/index.html
[11] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[12] The internal data provided by the Company
[13] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[14] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[15] Quotation of interview with the Business development and Marketing Manager of the Company (10th January 2016).

3.4   Marketing plan

One of the marketing tools of a firm is a marketing plan. To develop it requires a clear idea about the company and its mission. To create high quality and effective marketing plan, the company needs to set long-term growth goals, for example, throw a big, hairy, audacious goal (BHAG).

The term BHAG was popularized in the bestseller Built to Last: Successful Habits of Visionary Companies (Harper Business) by Jim Collins and Jerry Porras in 1994 but the concept has been known since 1980s. A BHAG inspires companies to define future goals that are more strategic planned. To prepare a systematic and successful plan, the BHAG should meet the three criteria.[16]

The first criterion is to specify a period of time within which we want to achieve goals. Mr. Jim Collins[17], a professor of entrepreneurship at Stanford University stated: "For an entrepreneur, 10 years is a nice time frame."[18] The time frame ranged from 10 to 30 years. As most plans, the BHAG should be understandable, well expressed, consistent and inspiring which is the second criterion of the plan preparation.[19] Last but not least, the BHAG should meet the companies' values and aims. The size of the BHAG plan depends on the type and structure of the company.

An efficient growth also requires patience and persistence in investment in time and marketing expenses. This process of growth is very stressful for companies' staff. The plan should be therefore implemented after a certain period of time depending on the company's needs and lead to positive changes for the company.

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[16] HENRICKS, Mark. *In The BHAG*. 1999 [online]. Entrepreneur. Available at:
http://www.entrepreneur.com/article/18100
[17] COLLINS, Jim. *About Jim*. 2016 [online]. Available at: http://www.jimcollins.com/about-jim.html
[18] Quotation: HENRICKS, Mark. *In The BHAG*. 1999 [online]. Entrepreneur. Available at:
http://www.entrepreneur.com/article/18100
[19] Business Strategy. *Big Hairy Audacious Goal (BHAG)*. 2014 [online]. Available at:
https://strategicthinker.wordpress.com/big-hairy-audacious-goal-bhag/

3.5 How to build the marketing plan

The process of creating a marketing plan comprises of seven steps. The first step is "Alignment with Firm's Goals" [16]. The key part of this step is to understand the company's vision as was mentioned before. Important stakeholders of the company should meet and agree on revenue and growth goals to consider the potential and vision of the company. The goals should be realistic and should be at the achievable level. To achieve their goals, the company's employees can use the mnemonic acronym - SMART.

Based on Dave Chaffey, SMART "is used to assess the suitability of objectives set to drive different strategies or the improvement of the full range of business processes".[20] Each SMART letter specifies how the goal should be formed. The Table 1 show the meaning of each letter and the examples related to this specification in the Company.[21]
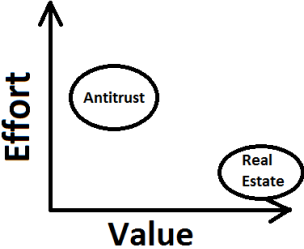
Table 1: SMART goals - structure

Letter of the acronym	Meaning	Bad example	Good example
S	Specific, significant and clear to everyone	Improve the position in ranking in internationally recognized publications about the best lawyers and law firms.	Improve the position in ranking in internationally recognized publications – **Europe Chambers and Legal 500 for the Czech Republic**.

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[20] Quotation: CHAFFEY, Dave. *How to define SMART marketing objectives - From SMART to SMARTER marketing objectives*. 2015 [online] Smart Insights. Available at: http://www.smartinsights.com/goal-setting-evaluation/goals-kpis/define-smart-marketing-objectives/

[21] FEENSTRA, Richard. *Achieve More in Less Time Using SMART Goals*. 2015 [online]. Available at: https://www.udemy.com/goal-setting/ and
HAUGHEY, Duncan. *SMART Goals*. 2015 [online]. Available at: https://www.projectsmart.co.uk/smart-goals.php

M	Measurable and meaningful – defined if the goal is achievable and how long it would take to complete it	Improve the Company's ranking in Banking and Finance.	Improve the Company's ranking in Banking and Finance for the Czech Republic from **rank 2 to rank 1** in the Europe Chambers publication (preparation of submissions will take **max. of 4 months**)
A	Agreed upon, acceptable and actionable – all stakeholders and top management agree with the goal and its expectations. It also defines how the goal will be achieved and how hard/easy it is to achieve the goal and if the company has availability of resources, time and knowledge. If the goal is too complicated, it could be divided into smaller goals.	Improve the Company's ranking.	Improve the Company's ranking by strategic plan: 1) Collecting information about the successes of matters and individual lawyers during the year 2) Before the preparation of submissions, the top management will choose the best experience for each law areas 3) Choose for which area will be applied the submissions Etc.

R	Realistic and reasonable – the goal should be built and result-oriented on. To find where is the main aim focused by the Company.	Improve the Company's ranking in any category by maximum effort.	Created the value - effort matrix and defined where the Company should **focus the energy.**
T	Time-based and trackable – the time period needed to require the goal should be long-enough but not demotivating.	Improve the Company's ranking in Banking and Finance for the Czech Republic from rank 2 to rank 1 in the Europe Chambers publication.	Improve the Company's ranking in Banking and Finance for the Czech Republic from rank 2 to rank 1 in the Europe Chambers publication **in 2017.**

Source: Theoretical concept: WYSOCKI, K. Robert. *The Business Analyst / Project Manager*,
Practical adaptation: Author's own research

In case of uncertainty of the goals, it is recommended for the company also to ask certain questions[22] the clients and review their opinion where they see the future of the company.

The second step is called "Marketing and Revenue Audit". The understanding and knowledge of the historical development of revenues and clients' demand provided valuable information for planning in next years. The marketing audit[23] can be separated based on the situation of the firm as well as a firm's size or complexity.

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[22] E.g. What goals the company has? Where are you now? How has the firm culture changed? Who are your new clients?
[23] E.g. Questions: What is our revenue? What was the volume of active clients and new clients? What is our segment and its possibilities?

The third step of the marketing plan creation process is Brainstorming. "Brainstorming is a method of eliciting ideas without judgement or filtering."[24] This step is fully interconnected with the two previous steps. It is about cooperation, discussion and a critical point of view of the company's plan. An Important part of this step is to involve everyone in the plan and to understand the reason of this planning. The advantage of this method is the possibility of creativity, unlimited options, equal opportunity. It also helps to avoid the conflicts among the participants. The brainstorming needs to be well managed and focused on the current problems and their solutions. The unworkable ideas should be selected right from the start in order not to waste the time on them. [15] However, sometimes the employees involved in a long discussion agree on the most indisputable option without concerning more complex or challenging ideas which would be harder to defend in front of a team.

Image 1: Marketing planning process

Major analysis of results annually

1. Alignment with firm's goals

2. Marketing and revenue audit

3. Brainstorming

4. Analysis and assumptions

5. Straw man plan

6. Final plan and adoption

7. Implementation

•Minor analysis of results periodically
•Calibrate as necessary
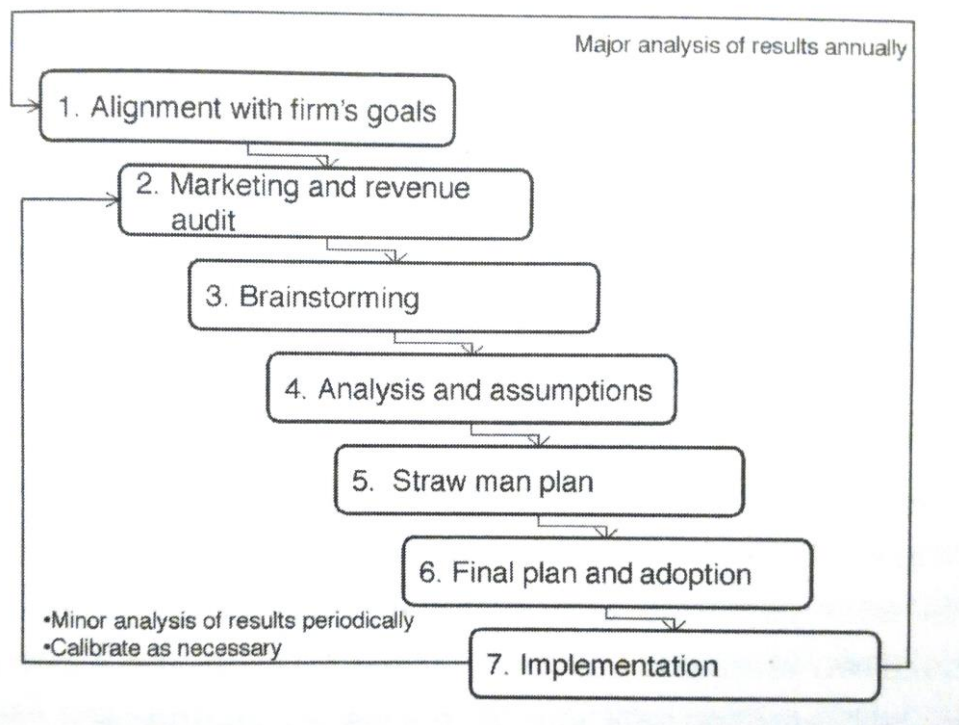
Source: SCHULTZ, Mike, DOERR, E. John, 2009.

[24] Quotation: European Commission - JRC. Brainstorming. 2006 [online]. Available at: http://forlearn.jrc.ec.europa.eu/guide/2_scoping/meth_crea_brainstorming.htm

After collecting all ideas and objectives, the process moves into its fourth phase – Analysis and Assumptions. The evaluation of each idea should be objective and asses its application in a real world situation. All positives and negatives of each path are analysed and create various scenarios with and without the budgets, resources and tactics being applied to cover all possible situations.

The fifth phase of marketing plan creation involves putting everything together. All tactics, goals, expected outcomes, time demands and other issues should be listed. This list is then split into two smaller parts – a detailed one with organizational expectations, and a short overview.

The final plan and its adoption should aim at communicating with the main stakeholders. The requested budget and resources should be discussed with them again. Everything should be clear, such as roles and responsibilities in this plan.

The last phase is "Implementation". It takes the company back to first phase and finds better alternatives due to continuously growing opportunities on the market and develops the firm's situation and position. The marketing planning process takes usually from two to three months depending on various internal and external factors. The process is not limited by the 7 phases and could be exceeded or shortened based on company's needs.

3.5.1 Common mistakes

The most common mistake during the process of forming a marketing plan for a company is to start from the top and continue downward. It is easy to start with the strategy without any preparation and analysis. It is just as easy to shut it down when a first problem arises. The valuable opinions of experts or long-experienced members of the team should contribute the preparation of the marketing plan because they might enrich the process and could support the best way of creating it. They would also provide a change of focus, if required.

The marketing plan should be specific and reasonable. Moreover, if the company is focusing only on the key market of their interest it could be limiting and short term planning. The different sized competitors, relevant technology development or the latest trends and innovations could be a treasured source of information and possibilities.

Mistakes are very often caused by the human factor. Unrealistic goals, poor tactics, limited communication between participants, disorganized implementation of the plan processes or a lack of leadership can negatively influence the whole preparation and marketing plan itself. Every employee should consider their responsibility related to the process. [16]

3.5.2 The Company and the marketing plan

The Company in the Czech Republic is directed by the European top management. The marketing plan of the Company is a part of a business plan therefor the business plan has priority and higher importance. Business development team preparing the business plan includes the managing partner, other partners and leaders of the Company's teams.

The business plan of a certain office includes the financial aims and detailed budget which have to be approved by the top management. The forecasted financial plan is analysed and revised two times per year. The plan also considers how the Company can be more cooperative with concrete clients and what they can offer to new clients.[25] To ensure the success of the plan, the Company's managers analyse the plan once per year and eventually adapt to the conditions or immediate needs of the Company.

SWOT analysis, PEST analysis and other researches can be prepared based on the data from the plan. During the economic and financial crisis, the Company usually decreases the length of the period between the plan's revisions. The marketing plan and investments are regulated based on the results of the business plan. Currently, the Company is satisfied with the results of their business plan.[26]

[25] Interview with the Business development and Marketing Manager of the Company (10th January 2016).
[26] Interview with the Business development and Marketing Manager of the Company (10th January 2016).

3.6 Global marketing and advertising materials

There is a positive as well as negative side of operating as a global business. Every office benefits from the global and strong position of the Company. On the other hand, it has to follow global regulations and rules. These can sometimes cause inefficiencies or are unsuitable for some offices in particular cases.

Marketing materials are used for representing the Company and its lawyers at public events (e.g. job fair or other presentations of the Company), for meetings with the current or potential clients and for visitors of the office.

The global marketing department of the Company distributes templates of marketing materials, guidelines and suggestions for most appropriate advertisements. Change of all affected documents to match the new templates is very time consuming for the marketing department and therefor can influence their performance in other everyday activities.[27] For example, the professional resumes of all lawyers of the Company have two types of style in two different languages. It means that every change in the resume templates leads to rewriting more than 300 documents. Unfortunately, the templates have been updated almost every 3 months. The continuous changing templates are causing problems with updating these documents.[28] The process is very ineffective and the marketing department has been affected by stress and tension among its members due to this.

Templates for advertisements were also created globally and individual offices were not allowed to change their design. The design was not interesting for the viewers and this result in criticism which, however, was not usually accepted by the Company's global marketing department.[29] A good example of unsuccessful marketing material is a Company's roll up ("banner"). The design was interesting and colourful but the logo of the Company was too small for the size of 200x80 cm roll up and placed in the centre of the roll up. On the pictures bellow, the placement and size of the Company's logo on the roll up was much less appealing compared to the one of their competitor.

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[27] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[28] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[29] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

Image 2: The comparison of the Company's and competitor's roll up (banner)
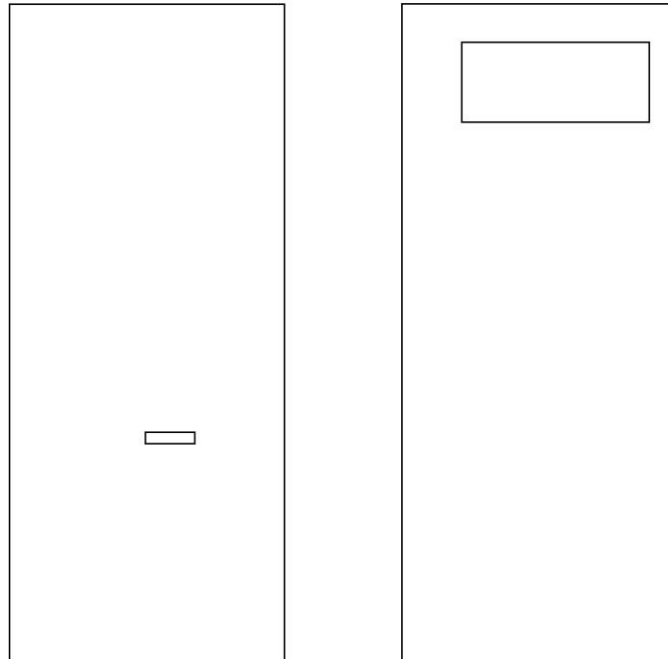
Source: Author's own creation

Another type of advertisement materials of the Company is the capability statements, known also as the Cap Stat. The templates of the Cap Stat are given and updated in the line with the global requirements. The process of printing the documents is carried out in the offices. The Cap Stat can be adapted to a given lawyer's needs and wants if they prefer to change the information or the structure of the document for a specific client meeting.

Some of the Company's marketing materials are distributed into its offices globally. An example of this is provided by brochures about the Company, which are either global or focused on specific legal a service field in a certain area. The global distribution process is costly because it has been managed by logistic companies, such as DHL. Thanks to the global distribution, the materials are uniform among the offices. The problem is that every update of style or information (e.g. the number of the Company's offices around the world) costs the waste of already distributed materials. If the offices would have an opportunity to print the materials by themselves, the cost of their production and environmental impacts would be significantly decreased.

Other marketing materials which are globally distributed to the office in the Czech Republic are pens, pencils, flash disks, CD/DVD covers, paper bags, folders, papers with the Company's heading, envelopes, business cards, lanyards, compliment card and other stationery. Most of the mentioned materials could be produced locally with similar or same design. The Company's office in the Czech Republic started to locally purchase screen wipers for mobile phones and its production costs were really low. [30]

3.7   The Marketing Department of the Company

The Marketing Department has been led by the Business Development and Marketing Manager and two part-time employees. The structure and the number of team members have not changed since 2011. Problem is that the size of the Company (in the Czech Republic) has been continuously increasing but the Marketing Department is still supported by three people whose work amounts to two full time contracts.

The number of offers submitted by the Marketing Department has almost doubled between the years of 2013 and 2014. Compared with offices in the rest of Europe, the Czech Republic office has significantly less members of the marketing team per lawyer.[31] For example, the Hungarian office has four employees per 50 lawyers in the marketing department and they are planning to hire one more person. The Czech marketing team is therefore under much higher pressure which has been causing stress and dissatisfaction in the work environment. The office in the Czech Republic also supports the Slovak office which has only one fifth of the capacity for marketing activities. Very often the marketing team also have to work overtime. In order to further increase the performance of the department, it should be supported by at least one more full time employee. The Company confirmed their intention to hire one more person for the Marketing Department and appropriate steps have been already done in this regard.[32]

The marketing data about the offers and matters do not fully represent the activities of the Company as a whole. Many offers are submitted by the lawyers through the fee quotes or other forms of offers without informing the Marketing Department. It has been estimated that

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[30]Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[31] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[32] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

the marketing database is missing 20% of all their submitted offers. The Business Development and Marketing Manager stated, that the missing data are not affecting work of Marketing Department and that the lawyers are more willing cooperate with the Marketing Department compared with the previous years. The Company is not planning any measures aimed at increase cooperation among the employees.[33]

However, the communication level of the marketing team, lawyers and their secretaries and assistants should be improved. Information is the most valuable commodity[34] and the loss of every single piece of information makes reaching the Company's goals harder. If the lawyers (or their secretaries) share their marketing activities with the Marketing Department, the marketing team could provide internal monthly press releases about the offers and matters to the Company and improve the monitoring of obtained data. Sharing information in some way should be insisted on.

3.8   The Company and the environment

Business are trying to be more eco-friendly mainly because public is more aware how the companies environmentally impact the world. The eco-friendly or the green business status therefor has created a positive reputation to public opinion about a company. To become a green business, "the following 4 criteria: the business incorporates principles of sustainability into each of its business decisions; the business supplies environmentally friendly products or services that replaces demand for non-green products and/or services; the business is greener than traditional competition in its production and delivery of products and services; the business has an enduring commitment to environmental principles in its business operations."[35]

The Company's office in the Czech Republic recycles paper, plastic, glass and electrical materials (computers, phones, batteries etc.).[36] Large amount of printed materials can be rapidly reduced. A lot of printed materials in the Company are printed several times

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[33] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[34] DOYLE, Peter. *The Most Valuable Commodity*. 2012 [online]. Innovation Excellence. Available at: http://www.innovationexcellence.com/blog/2012/10/28/the-most-valuable-commodity/
[35] Quotation: Business Wales. Welsh Government. *Starting up a green business*. 2014 [online]. Available at: http://businesswales.gov.wales/starting-green-business
[36] Author's own research in the office of the Company.

before the final version is made. Correction of the text could be provided on computers which would limit usage of paper and ink, cutting down the expenditures.

The Company's management can motivate their employees to care more about the environment and especially to save on printed materials. Less printing, changing the paper towels in the restrooms (and kitchens) to the hand dryer, turning off the lights and electric devices when they are not used, using public transportation rather than the taxi or cars, producing offices' and marketing materials in local companies and other activities will support protecting the environment and decrease the overall expenditures.[37] If the Company changes itself in order to become more eco-friendly, such status could be used publicly in marketing materials to support Company's PR.

As the protection of the environment is necessary, companies nowadays understand more the need for a zero e-mail program. The program helps to reduce the overall messaging load and support social interaction and collaboration among employees. Overload of information wastes employees' time, increases stress levels and costs businesses money. An example of a company known for its zero email initiative is Atos IT Solutions and Services. It was also the first company to implement the program. Lync, blueKiwi or Skype are used to quickly share ideas for social collaboration. Philipp Karcher from Forrester webpage says that Atos "has saved 25% of work time previously spent on email and reduced disruptions and email overload by 60% — down from an average of 100 internal emails per employee per week to 40."[38]

The Company is using Lync, Blue Jeans Network and video conferences to increase the speed of their communication within the organization. Nevertheless, the employees are still using e-mails as the main communication tool. The Company is not planning to implement this program or similar initiative.[39]

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[37] JOSEPH ,Chris. *What Are the Benefits of Going Green for a Business?* 2014 [online]. Demand Media. Available at: http://smallbusiness.chron.com/benefits-going-green-business-3225.html
[38] Quotation: KARCHER, Philipp. *Winners Of The 2014 Groundswell Awards (Business-To-Employee Division)*. 2014 [online] Forrester. Available at: http://blogs.forrester.com/philipp_karcher/14-05-05-winners_of_the_2014_groundswell_awards_business_to_employee_division
[39] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

3.9 How to face competition

Competition has an important role in every business. It can be motivating and inspiring when a company is able to face their competitors. Companies should understand and know about their direct competitors but paying too much attention to this matter takes valuable time of the company that could be used better. It is good to know the competitors well but one should not live their lives. [16]

Law market in the Czech Republic is very price sensitive. To build loyalty of your clients takes decades but a single big enough mistake can ruin the reputation of the company in a minute. Clients expect the highest degree of discretion in dealings with confidential information which are provided to law companies.

The key question is, how a law company can keep the interest of a client in this competitive market. "You can't look at the competition and say you're going to do it better. You have to look at the competition and say you're going to do it differently."[40] It is important that their target group would clearly understand what services (products) are provided by the company and why they are unique compared to their competition. Nevertheless, this run for uniqueness should not take the time from the basic but profitable services.

The Company is not aware of any serious competitors, at least not in the three legal areas where they are leaders or challengers. External analysis gives them information about their position on the market. Acritas[41] provides researches and analyses which are also requested by other law companies. The Company uses international ranking publications Chambers Europe, Chambers Global, The Legal 500 and IFLR 1000 as the main source of information about their competitors.

The Company's main advantage comes from its size. They are providing services at more than hundred locations around the world. The Company is in constant search for talented lawyers to deliver according to their clients' wants and needs. More merges to increase the Company's world influence are expected. "As long as the client request for expansion, the Company will open further offices".[42] In spite of the Company's expansion it keeps its long term vision and principles untouched.

[40] Quotation: JOB, Steve. *Quotable Quote*. 2016 [online]. Goodreads. Available at: http://www.goodreads.com/quotes/4101971-you-can-t-look-at-the-competition-and-say-you-re-going
[41] Acritas. *About us*. 2015 [online]. Available at: http://www.acritas.com/about-us
[42] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

3.10 Offer

One of the marketing activities in the law company is to prepare an offer for a client. The Request for Proposal (RFP) sent by the client gives the first information about the structure of the offer to the marketing team. The template for offers is usually given by the global marketing department in international law companies.

This chapter includes detail information about the Company's offers which are submitted to the clients. It also explains the relationships used in the regression analysis and variables used.

Parts of the Company's offer are:

- *Front page*: includes information about the client and the name of the project, the date of submission and the main contact details;
- *Introduction letter* or *letter of thanks*: detailed information about the project, setting the acronyms for the client, the project, and associated members or a part of the project. The signature and the contact for the supervisor of the project should be included;
- *Introduction of the company*: basic information about the Company at the global and local levels, description of the legal area(s) which is/are related to the project, a brief history of the Company, awards obtained. This part of the offer can be shortened, based on the client's knowledge of the Company;
- *Map of the Company*: offices and associated offices of the Company situated around the world. The map has information purpose as well as marketing purpose to impress the client;
- *Scope of work*: detailed description of the expected work, its structure is usually given by the client. It is the first of the two most important parts of the offer as it captures the very core of the offer itself;
- *Fees*: the expected value of work in the format preferred by the client (see Chapter Pricing Structure). It is the other core part of the offer, in many cases playing the key role: deciding whether the offer is or is not accepted. However, this part could be excluded if the purpose of the offer is to introduce the Company to a possible new client with or without client's RFP;

- *Assumptions*: the assumptions under which the work will be provided, such as the language of law services and documents, under which legislation (e.g. English or Czech), travel rules, additional services (translation, notary etc.) and other. It is given by the Company and can be supplemented by the client. The Company specifies the conditions of the deal with the client which need to be specified before signing the contract;

- *Information about VAT and form of payment*: expected day of payment and information about the VAT which provided transparency in the fees and specified rules of billing;

- *Introduction of the team*: leading lawyer, main contact (if it differs from the leading lawyer), member of team and their role on the project. This part is used as a brief overview of the team;

- *Detailed resume of each member of the team in the Company*: resumes have two versions - short and long. The version to be presented is chosen by the leading lawyer or is based on the client's request. The long version of a resume usually includes information about the position, education, specialization, experience, language skills, previous work experience and their contact details. The short version of a resume is very similar but does not contain the lawyer's experience. The design of both versions is different but both also contain a photo of the given lawyer;

- *Representative experience of the Company*: basic information about the experience of the Company. The previous experience of the lawyer(s) before working for the Company could be also mentioned, however, the lawyer needs to agree with placing this information in the offer which has to be mentioned in the documents in written form.

This format of offers is the most used one at the Company and has usually 25 pages and more. Another format used directly by the lawyers of the Company without the involvement of the Marketing Department is a simple fee quote. It can provide information about the scope of work, fees, assumptions and name of the team member. The document has 3-5 pages which is much shorter compared to the basic Company's offer.

3.11 Pricing Structure of offers

The most frequently used pricing method of the Company is a "Standard hourly rate" within a certain range for a given category.[43] In this method, lawyers are divided into categories based on their position, length of relevant expertise and their experience. The categories are a junior associate (paralegal), an associate, a senior associate, a counsel and a partner. A company can also have unique positions, such as a managing partner, an honour member or international lawyers who usually have a special fee range.

The second most common pricing method is "fee cap". Clients sometimes prefer to have a final price for the lawyers' work rather than calculating it themselves by the hourly rate of individual lawyers in combination with other factors (lawyers' professionality, number of lawyers working on the project, VAT included or excluded, additional court and administrative registration fees, or other exceptional costs, etc.). The Company is able to set the maximum value of their work on a project (fee cap) by the work description provided by the client and expected hours spent on the project.

Other pricing methods used in the Company are "blended rate" and "detailed pricing method". In the blended rate method, all lawyers have the same hourly rate and their expertise is not affecting the price. The detailed pricing method uses the concept of maximum price of each job related to a project or each part of a project.

Offers are composed by 60 % of hourly rates and by 40 % of fixed fees.[44] The level of detail of the pricing structure depends on the clients. Offers usually contain more than just one pricing method. The total fee cap method is the pricing method included in absolute majority of all offers. The Company sometimes provides more pricing methods than the client requested. An assumption is that more methods provided to the client cause lower success rate of the offers. This hypothesis is analysed by the regression analysis later in this thesis.

Any fees can be calculated with or without VAT depending on the client's preferences. Among disbursements which are billed separately are included: e.g. courier, postage, telecommunication, local travel, and other costs incurred in connection with the services provided and the Company bill them usually by 5 % of their total fees. Long-distance

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[43] Interview with the Business development and Marketing Manager of the Company (10th January 2016)
[44] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

travel costs, notary, court and administrative registration fees, or other exceptional costs are excluded from the fees and eventually charged separately.[45]

Based on the client and company's interest, the company frequently provides a percentage discount from the final price offered as a marketing strategy. Each offer also contains a clause enabling the Company to increase the price in case of unexpected or hire expenditures.

The Company pricing level is higher compared to their direct competitors. High-priced offers are sometimes refused due to cheaper competitors' offers which were often confirmed by the clients.[46] The Company offers an extensive range of professional legal services in wide areas and a global position of one of the law company leaders. There are many price-oriented companies on the Czech market. On other, less price sensitive markets, the Company can leverage their strong brand position, however, the Czech market is in this sense limited.

3.12 Advertisement

Advertisement and promotion of a company is the key of marketing activities. Good advertisement does not have to be necessarily expensive. It is more about the idea and the message which the companies like to send to their customers. [6] Law companies usually use serious and professional style of advertisement. Main aim is to power brand and to show the higher professionalization and more experience gained in area than others.

The prestige name of the Company is created by ranking in internationally recognized publications about the best lawyers and law firms. Publications, such as Chambers Europe, Chambers Global[47], The Legal 500[48] and IFLR 1000[49], are widely used by law companies and their current or prospective clients. Every year, the marketing department of the Company prepares a complex set of submissions based on the most important matters in last 12 months. Each area of law has its own submission which included detailed information about the

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[45] Based on the typical offer which is prepared by the Company.
[46] Author's own research in the office of the Company.
[47] Chambers & Partners. *Frequently Asked Questions*. 2016 [online]. Available at: http://www.chambersandpartners.com/faqs
[48] The Legal 500. *About us*. 2016 [online]. Available at: http://www.legal500.com/assets/pages/about-us/about-us.html
[49] The IFLR1000. *Our research*. 2016 [online]. Available at: http://www.iflr1000.com/Home/OurResearch

clients, projects and members of team. The preparation of the submissions requires closed attention to the details and cooperation among the employees of the Company. Reward of this effort is high ranking not only of the Company but their individual lawyers as well. The Company is highly ranked in several areas of law, e.g. real estate.

Another way to express the position of the Company on the market is by the official and widely recognized awards. The national Czech awards, in which the Company has been very successful in the last couple of years, are Nejlepší z realit - Best of Realty[50] and the Law Firm of the Year[51]. Success of winning awards is connected with public awareness about the Company and could be used as an advantage in the Company's marketing materials.

The Company uses two ways of advertisement in newspapers and magazines. The first type is common commercials about the Company and their values. The commercial could be different sizes, from small one word window to whole page commercial. The colours are designed to capture the attention and the design provides direct information. However, the commercials could be improved by a hypertext link to social media or QR Code for mobile devices.

3.13 Social Media

Law companies usually use business-to-business marketing (B2B marketing) which is a process of selling one company's products or services to another company. [6] Many companies focus on their target market by the traditional marketing activities, such as meetings, presentations, events etc. "Finding new ways to foster relationships through social media is currently a hot topic in the B2B marketing world. Social media platforms have opened up two way conversations between businesses. A survey organized by Chadwick Martin Bailey and iModerate, showed that businesses are more likely to buy from companies they track through social media."[52]

The importance and power of the social media is becoming more accepted and counted with by the marketing managers around the developed world. [6] The Company has

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[50] Nejlepší z realit - Best of Realty. *History of the Competition Best of Realty*. 2016 [online]. Available at: http://www.bestofrealty.cz/?do=85

[51] EPRAVO.CZ. *Introduction*. 2016 [online]. Available at: http://www.pravnickafirmaroku.cz/en/

[52] Quotation: Marketing-Schools.org. *Business to Business Marketing - Explore the Strategy of B2B Marketing*. 2012 [online]. Available at: http://www.marketing-schools.org/types-of-marketing/b2b-marketing.html

one unofficial Czech Facebook page where Czech junior associates were randomly posting pictures. Last post was created in June 2014. The official Facebook page for the Czech office of the Company does not exist. The unofficial global Facebook page has 970 followers. It is forbidden to create any official Facebook page of the Company as a whole or its branches which posing a significant disadvantage from the marketing point of view. However, the Company considers creating a global and European Facebook page of the Company in the future.[53]

If the offices get a chance to create their own page, they would be able to provide the information in their languages for public and post activities and news of each office. The subpages of the offices would refer to the official global page and increase the number of followers for this page as well. The Company's name would be more widely presented in public which would help to decrease the uncertainty about the brand.

Twitter as a social channel is globally by the Company also not allowed for marketing purposes. The Company's global Twitter has 3,665 followers. The page was created in March 2013 and is posting Tweets frequently (more than 3 times per day). There are no official offices' subpages about the Company. The Company is represented on the youtube.com by more than 20 videos. The videos are advertisements or the statements of the Company's lawyers to specific topic, for example the energy trends. The look of the Company on Youtube.com is very professional.

The Company also uses the services of LinkedIn. This social media could be described as a professional Facebook. The web page of the Company on this media has more than 17,000 followers and provides basic information about the Company. Visitor can find here current Company news as well or used a direct link to Company's official web page. LinkedIn is often used for job search with the subpage "Career with us" which the Company uses as well. Overall, the LinkedIn web page represents the Company in professional light and is followed by many representative and respectable people.

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[53] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

3.14　Company's web page

The Company's web page is easy to find and it is the first in the Google standard search. The homepage is well structured. The logo is placed in the upper part of the page. The web page could be changed into the 8 languages. The social network links consist of Twitter, Google+ and LinkedIn and are placed in the upper right corner. The Facebook link is missing. Visitor of the web page can directly contact the Company's representatives by e-mail through an envelope icon. The icon opens the message window; however the writer needs to know the e-mail address of the receiver.

The structure of the web page is organized into six common sub-pages, such as events or Contact Us. Another level of structuring is more focusing on business presentation. Visitor can find seven understandable titles which are separating into more detailed subpages. The front page is lacking the slogan[54] of the company. The slogan should be composed of maximum six words and briefly and smartly catch the visitors' attention. It also should be placed next to the logo or in the top part of the homepage.

The page can be also improved by an interesting headline for each legal area described on the homepage.[55] Eight of ten visitors read the headline, but only two of ten continue in the reading.[56] Related lead paragraphs are good start of the following articles. The pages about the offices have the same structure - basic information about the office and practice area, experience, recognition, news etc. Visitor has a chance directly contact the key contact person of the certain office which is clearly visible on the office's page. Pages of each lawyer sometimes vary, for example the lists of lawyers' experience have different forms of interpretation. However, this is a small detail which could be easily changed. Overall, the web page is very colourful, structured and interestingly designed.

The second place in Google search is Wikipedia.org. The page covers basic information about the Company, history, main practice areas and references. The information is updated and brief. Content could be possibly precised and detailed. The Company's office in the Czech Republic tried to create the Wikipedia page for one of the respected lawyers on

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[54] Slogan is "a short and striking or memorable phrase used in advertising." - Oxford University Press. *Slogan*. 2016 [online]. Available at: http://www.oxforddictionaries.com/definition/english/slogan
[55] The homepage was described in the February 2016. The form or content of homepage is changed after certain period of time.
[56] BOHUŠ, Otto. Pište jako copywriter. 2013 [online]. Available at: http://ottocopy.cz/

the occasion of his birthday. The project failed due to strict Wikipedia's rules about the self-representing and advertisement.[57]

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[57] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

4 Empirical part

4.1 Regression analysis I. - One-equation model

4.1.1 Economic model and econometric model

Assumptions

Assumptions of the single-equation model are focused on factors influencing the ability to win offers and receive matters of a client. This ability is denoted as "The winning offers" and is examined by Offers submitted, Pricing structure, Investments in advertisement, Number of company's clients and Members of team working on individual matters. The monthly data for regression analysis include the time period of 2012-2015. The data are focused on the area of the Czech Republic for the purpose of detailed analysis. The time period was chosen to limit the influence caused by merges and acquisitions of the company with other companies before and after this period. **All calculations** in this chapter **are Author's own** and are based on the data provided by the Company.

Some factors that can also affect the decision making of clients, e.g. price of competition, are not included in the model but can have significance. These factors were not included in the model because of the lack of relevant data. Marketing Department of the Company is usually not receiving the entire Request for Proposals from the clients.[58] The lawyers may win the matter without submitting previous official offer into Company's internal network or receiving the RFP. In this analysis it is assumed The winning offers depend on:

➢ Offers submitted – it is assumed that the increase in OS will cause increase in The winning offers.

➢ Pricing structure – it is assumed that the increase in PS will cause decrease in The winning offers. The reason is psychological: it is scientifically proved that if a person has more options to choose from, the decision making process is then much harder compared to a situation with only a couple of options. This phenomenon is

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[58] Interview with the Business development and Marketing Manager of the Company (10th January 2016)

described in the book The Paradox of Choice – Why More Is Less by American psychologist Barry Schwartz. [17]

➢ Investments in advertisement – it is assumed that the increase in IA causes increase in The winning offers.

➢ Number of company's clients – it is assumed that the increase in NoC causes increase in The winning offers.

➢ Members of team working on individual matters – it is assumed that the increase in MemT causes decrease in The winning offers. The reason is also psychological: (prospective) client can feel under pressure by a large amount of team members and their payment for the given work.

The direction of final vectors of the parameters should match with the assumptions. The results are compared in the Chapter 4.1.3 Economic verification of parameters.

Economic formulation of the model

$$y_1 = f(x_1, x_2, x_3, x_4, x_5, x_6)$$

Econometric formulation of the model

$$y_{1t} = \gamma_{11}x_{1t} + \gamma_{12}x_{2t} + \gamma_{13}x_{3t} + \gamma_{14}x_{4t} + \gamma_{15}x_{5t} + \gamma_{16}x_{6t} + u_{1t}$$

Declaration of variables

y_1	WO	The winning offers (No)
x_1	UV	Unit vector
x_2	OS	Offers submitted (No)
x_3	PS	Pricing structure (No)
x_4	IA	Investments in advertisement (CZK)
x_5	NoC	Number of company's clients (No)
x_6	MemT	Members of team working on individual matters (No)

Data set

Due to confidential status of this thesis and very sensitive data provided by the Company, the data set cannot be published. The reason is that the data could be used by competitors of the Company and negatively influences its position on the market. The law companies strictly protect their privacy and internal data about the company. Every possible leak of information could be destructive for the company.

Each variable was obtained in 32 monthly observations and includes the time period of April 2012- November 2015.

Correlation matrix and multicollinearity elimination

The regression analysis starts with the correlation matrix. The correlation matrix "is used to investigate the dependence between multiple variables at the same time. The result is a table containing the correlation coefficients between each variable and the others."[59]. If the correlation coefficient is higher than 0.8, the data are influenced by multicollinearity and the results could be affected by bias.

The first correlation matrix detects high collinearity between the variables x_7 and x_5 in the model as you can see in the Appendix 1. The correlation coefficient was 0.9030. To avoid collinearity the lagged variable was applied as you can see in Appendix 2. The collinearity was still present and the application of dummy variable was also unsuccessful as you can see in Appendix 3. To limit the bias, it was decided to exclude the variable x_7.

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[59] Quotation: Statistical tools for high-throughput data analysis. *Correlation matrix: A quick start guide to analyze, format and visualize a correlation matrix using R software*. 2012 [online]. Available at: http://www.sthda.com/english/wiki/correlation-matrix-a-quick-start-guide-to-analyze-format-and-visualize-a-correlation-matrix-using-r-software

4.1.2 Parameters' estimation using OLSM in Gretl

Estimation of parameters

Matrix X

x_1 Unit vector

x_2 Offers submitted (No)

x_3 Pricing structure (No)

x_4 Investments in advertisement (CZK)

x_5 Number of company's clients (No)

x_6 Members of team working on individual matters (No)

Vector Y

y_1 The winning offers (No)

Ordinary lease squared method (OLSM) $\gamma = (\mathbf{X}^T {}_* \mathbf{X})^{-1} {}_* \mathbf{X}^T {}_* \mathbf{y}$

```
Model 1: OLS, using observations 2013:04-2015:11 (T = 32)
Dependent variable: y1

              coefficient    std. error    t-ratio    p-value
   ----------------------------------------------------------------
   const       0.181435      1.36916        0.1325     0.8956
   x2          0.334515      0.0535268      6.249      1.30e-06  ***
   x3         -0.0503845     0.476198      -0.1058     0.9165
   x4          8.15932e-07   8.48264e-07    0.9619     0.3450
   x5         -0.0145679     0.0100257     -1.453      0.1582
   x6         -0.0374042     0.0792572     -0.4719     0.6409

Mean dependent var    1.437500    S.D. dependent var    1.389767
Sum squared resid    21.19883     S.E. of regression    0.902962
R-squared             0.645948    Adjusted R-squared    0.577862
F(5, 26)              9.487128    P-value(F)             0.000031
Log-likelihood      -38.81740     Akaike criterion      89.63480
Schwarz criterion    98.42921     Hannan-Quinn          92.54990
rho                   0.247425    Durbin-Watson          1.482031

Excluding the constant, p-value was highest for variable 4 (x3)
```

The final vector of parameters:

γ_1	0.181435
γ_2	0.334515
γ_3	- 0.0503845
γ_4	0.000000816
γ_5	- 0.0145679
γ_6	- 0.0374042

The final form of econometric model:

$y_{1t} = 0.181435 + 0.334515x_{2t} - 0.0503845x_{3t} + 0.000000816x_{4t} - 0.0145679x_{5t} - 0.0374042x_{6t} + u_{1t}$

4.1.3 Economic verification of parameters

Economic verification explains the direction and intensity of the variables on the explained variable and how well the parameters are applied in the model based on the assumptions. [2] All parameters, except of one (γ_5), are in accordance with the assumptions. The reason of unexpected parameter can be explained by the unimportance of given parameter or lack of data.

Parameters	Value	Interpretation[60]	Type of relationship
γ_1	0.181435	If all other variables are equal zero, the winning offers has value 0.18 units.	Expected
γ_2	0.334515	If the Offers submitted increase by 1 offer, the winning offers will increase by 0.33 offers.	Expected
γ_3	- 0.0503845	If the Pricing structure increases by 1 form, the winning offers will decrease by 0.05 offers.	Expected
γ_4	0.000000816	If the Investments in advertisement increase by 1,000,000 CZK, the winning offers will increase by 0.816 offers.	Expected
γ_5	- 0.0145679	If the Number of company's clients increases by 1 client, the winning offers will decrease by 0.015 offers.	Unexpected
γ_6	- 0.0374042	If the Members of team working on individual matters increase by 1 member, the winning offers will decrease by 0.037 offers.	Expected

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[60] And ceteris paribus

4.1.4 Statistic verification of parameters

Statistical significance of parameters

	UV	OS	PS	IA	NoC	MemT
t-value (t-ratio)	0.1325	6.249	-0.1058	0.9619	-1.453	-0.4719
t-tab. (α=0,05)	2.037	2.037	2.037	2.037	2.037	2.037
V / N	N	S	N	N	N	N

Criteria:

T value (t) > t/ tab ....S

T value (t) < t/ tab ....N

Statistically **significant** criteria in α=0.05:   OS

Statistically **insignificant** criteria in α=0.05:   UV, PS, IA, NoC, MemT

The T-test defines that the model has only one statistically significant variable. Significance is used to analyse if a difference or relationship exists in the model. The larger sample size is the higher is probability of statistical significance. The statistical significance as used in this model is at the 95 percent confidence limit or higher.

Determination coefficient

The coefficient of determination R^2 was chosen for explanation of determination coefficient which is used to measure the accuracy of the model. The OLS method defined that

$$R^2 = 0.645948$$

The explanatory variables (Unit vector, Offers submitted, Pricing structure, Investments in advertisement, Number of company's clients and Members of team working on individual matters) describe the winning offers by **64.59%**.

Durbin-Watson test

DW-test determines whether in the model occurs autocorrelation in residuals. Autocorrelation is the serial correlation.

Critical value for n =32 and k =6:

Result of DW-test:

d = 1.482031

$\implies$ **dL < d < dU**

dL	1.1092
dU	1.8187
4-dU	2.1813
4-dL	2.8908

The result from Durbin – Watson is in the uncertainty zone. It cannot be defined if there is autocorrelation or not. It can be assumed that there is uncertain autocorrelation or there is none.

Heteroskedasticity tests

- **1st equation** p-value = 0.971530

α = 0.05

H0 Hypothesis: Homoskedasticity

p-value > α Homoskedasticity in equation

A Heteroskedasticity test is satisfying.

4.1.5 Model application

Coefficients of elasticity

	OS	PS	IA	NoC	MemT
E	1.33253	0.0386134	-0.227347	-0.412799	-0.142512

For estimation of elasticity the general form E = (dy / dxi) * (xi / ŷ) is used. The analysis estimated following results:

x_2:   If the offers submitted increase by 1%, the winning offers increases 1.33%.

x_3:   If the pricing structure increases by 1%, the winning offers increases 0.039%.

x_4:   If the investments in advertisement increase by 1%, the winning offers decreases 0.23%.

x_5:   If the number of company's clients increases by 1%, the winning offers decreases 0.41%.

x_6:   If the members of team working on individual matters increase by 1%, the winning offers decreases 0.14%.

The results of elasticity defined that the **biggest influence** of given variables (x_2-x_6) on the winning offers has the Offers submitted.

4.2   Regression analysis II. - Simple Regression Model

4.2.1 Economic model and econometric model

Assumptions

The single-equation model detected that only one variable is significant. The model was then improved by excluding the insignificant variable. The winning offers, as the dependent variable, is examined by Offers submitted variable. The monthly data for regression analysis are same as the one which were used in the One-equation model. **All the calculations are the Author's own** based on the data provided by the Company.

In this Simple Regression Model, it is assumed that the increase in Offers submitted will cause increase in The winning offers which is defined in the Chapter 4.2.3 Economic verification of parameters.

Economic formulation of the model

$y_1 = f(x_1, x_2)$

Econometric formulation of the model

$y_{1t} = \gamma_{11}x_{1t} + \gamma_{12}x_{2t} + u_{1t}$

Declaration of variables

y_1	WO	The winning offers (No)
x_1	UV	Unit vector
x_2	OS	Offers submitted (No)

4.2.2 Parameters' estimation using OLSM in Gretl

Estimation of parameters

Matrix X

x_1 Unit vector

x_2 Offers submitted (No)

Vector Y

y_1 The winning offers (No)

Ordinary lease squared method (OLSM) $\gamma = (X^T * X)^{-1} * X^T * y$

```
Model 1: OLS, using observations 2013:04-2015:11 (T = 32)
Dependent variable: y1

              coefficient   std. error   t-ratio   p-value
   ---------------------------------------------------------
   const        -0.478006    0.335165     -1.426    0.1641
   x2            0.296117    0.0454657     6.513    3.36e-07 ***

Mean dependent var   1.437500    S.D. dependent var    1.389767
Sum squared resid    24.80366    S.E. of regression    0.909279
R-squared            0.585743    Adjusted R-squared    0.571934
F(1, 30)             42.41876    P-value(F)            3.36e-07
Log-likelihood      -41.33012    Akaike criterion      86.66023
Schwarz criterion    89.59170    Hannan-Quinn          87.63193
rho                  0.275265    Durbin-Watson          1.436968
```

The final vector of parameters:

γ_1	- 0.478006
γ_2	0.296117

The final form of econometric model:

$$y_{1t} = - 0.478006 + 0.296117x_{2t} + u_{1t}$$

4.2.3 Economic verification of parameters

The parameter x_2 is in accordance with assumption. However, the unit vector has unexpected direction.

Parameters	Value	Interpretation[61]	Type of relationship
γ_1	- 0.478006	If all other variables are equal zero, the winning offers will have value 0.48%.	Unexpected
γ_2	0.296117	If the Offers submitted increase by 1 offer, the winning offers will increase by 0.30%.	Expected

4.2.4 Statistic verification of parameters

Statistical significance of parameters

	UV	OS
t-value (t-ratio)	- 1.426	6.513
t-tab. (α=0,05)	2.037	2.037
V / N	N	S

Criteria:

T value (t) > t/ tab ….S

T value (t) < t/ tab ….N

Statistically **significant** criteria in α=0.05:   OS

Statistically **insignificant** criteria in α=0.05:   UV

---

[61] And ceteris paribus

The T-test defines that the model has only one statistically significant variable (x_2) which reflects the previous testing of all variables. The statistical significance as used in this model is at the 95 percent confidence limit or higher.

Determination coefficient

The OLS method defined that the coefficient of determination $R^2 = 0.585743$. The explanatory variables (Unit vector, Offers submitted) describe the winning offers by **58.57%**. The insignificant variables of the one-equation model (Pricing structure, Investments in advertisement, Number of company's clients and Members of team working on individual matters) describe the winning offers by **6.02%** which means that these variables are negligible for this regression analysis.

Durbin-Watson test

DW-test determines whether in the model occurs autocorrelation in residuals. Autocorrelation is the serial correlation. Critical value for n =32 and k =2:

Result of DW-test:
d = 1.43697
$\implies$ **dL < d < dU**

dL	1.3734
dU	1.5019
4-dU	2.4981
4-dL	2.6266

The result from Durbin-Watson is in the uncertainty zone. It cannot be defined if there is autocorrelation or not. It is assumed that there is uncertain autocorrelation or there is none.

Heteroskedasticity tests

- **1st equation**   p-value   =   0.916810

  α   =   0.05

  H0 Hypothesis: Homoskedasticity

  p-value > α   Homoskedasticity in equation

A Heteroskedasticity test is satisfying therefore the data are relevant and applicable.

4.2.5 Model application

Coefficients of elasticity

For estimation of elasticity, the general form $E = (dy \,/\, dxi) * (xi \,/\, \hat{y})$ is used. The coefficient of elasticity is 1.33253. The analysis estimated following results: If the offers submitted increase by 1%, the winning offers increases **1.33%**.

Scenario's simulation

$y_{1t} = -\,0.478006 + 0.296117x_{2t} + u_{1t}$

The scenarios' simulation is provided by simulation of the dependent variable in the term of one or more independent variables. If the Company submits five offers, the Company will win approximately one offer.

4.3   Regression analysis III. - Simultaneous model

4.3.1 Economic model and econometric model

Assumptions

The first part of the regression analysis, the single-equation model, concerned the Winning offers in the relationship among the Offers submitted, Pricing structure, Investments in advertisement, Number of company's clients and Members of team working on individual matters.

The second part of the regression analysis is composed by two equations which together create simultaneous model. The first equation is taken from the first part of the analysis and the second equation examined relationship between the Number of Matters in the dependence relation on the Winning offers, the Number of company's clients, and Sales (turnover) of the company. In second part of regression analysis it is assumed:

1st equation:

> ➢ Offers submitted – it is assumed that the increase in OS causes increase in The winning offers.

> ➢ Pricing structure – it is assumed that the increase in PS causes decrease in The winning offers. The reason could be psychological as was mentioned in the first part of analysis.

> ➢ Investments in advertisement – it is assumed that the increase in IA causes increase in The winning offers.

> ➢ Number of company's clients – it is assumed that the increase in NoC causes increase in The winning offers.

> ➢ Members of team working on individual matters – it is assumed that the increase in MemT causes decrease in The winning offers. The reason could be psychological as was mentioned in the first part of analysis.

2nd equation:

> ➢ Winning offers – it is assumed that the increase in WO causes increase in the Number of Matters.

> ➢ Number of company's clients – it is assumed that the increase in NoC causes increase in the Number of Matters.

> ➢ Sales (turnover) of the company – it is assumed that the increase in SC causes increase in the Number of Matters.

The direction of final vectors of parameters should match with the assumptions. The results are compared in the Chapter 4.3.4   Economic verification of parameters.

Economic formulation of the model

$$y_1 = f(y_2, x_1, x_2, x_3, x_4, x_5, x_6)$$
$$y_2 = f(y_1, x_1, x_5, x_7)$$

Econometric formulation of the model

$$y_{1t} = \beta_{12}y_{2t} + \gamma_{11}x_{1t} + \gamma_{12}x_{2t} + \gamma_{13}x_{3t} + \gamma_{14}x_{4t} + \gamma_{15}x_{5t} + \gamma_{16}x_{6t} + u_{1t}$$
$$y_{2t} = \beta_{21}y_{1t} + \gamma_{21}x_{1t} + \gamma_{25}x_{5t} + \gamma_{27}x_{7t} + u_{2t}$$

Declaration of variables

y_1	WO	The winning offers (No)
y_2	NM	Number of Matters (No)
x_1	UV	Unit vector
x_2	OS	Offers submitted (No)
x_3	PS	Pricing structure (No)
x_4	IA	Investments in advertisement (CZK)
x_5	NoC	Number of company's clients (No)
x_6	MemT	Members of team working on individual matters (No)
x_7	S	Sales (turnover) of the Company (CZK)

Data set

As it was mentioned above in the Chapter 4.1 Regression analysis I. - One-equation model, the data set cannot be published due to data's confidentiality. The amount of observations is the same as in the previous single-equation model, i.e. 32 monthly observations include the time period of April 2012- November 2015.

Correlation matrix and multicollinearity elimination

The correlation matrix defines that the model had high multicollinearity between variables x_5 and y_2 (0.8291). First differences were used in x_5 to eliminate it. After the change of data the correlation matrix is shown in Appendix 5.

4.3.2 Model identification

Model identification is used for determination if the settled parameters logically expressed exploring relationships which means that the model is correctly build. If the equation is identified and its content is clearly determined.

GΔ	number of endogenous variables in the equation:	$GΔ_1 = 2$
		$GΔ_2 = 2$
k	numbers of all predeterminant variables in the whole model	$k = 7$
k*	number of all predeterminant variables in equation	$k^*_1 = 6$
		$k^*_2 = 3$
k**	number of predeterminant equation out of the equation	$k^{**}_1 = k - k^*_1 = \mathbf{1}$
		$k^{**}_2 = k - k^*_2 = \mathbf{4}$

Identification of 1st equation:

$$y_{1t} = \beta_{12} y_{2t} + \gamma_{11} x_{1t} + \gamma_{12} x_{2t} + \gamma_{13} x_{3t} + \gamma_{14} x_{4t} + \gamma_{15} x_{5t} + \gamma_{16} x_{6t} + u_{1t}$$

$k^{**}_1 \geq GΔ_1 - 1$

$1 \geq 2 - 1$ ⟹ The first equation is **over identified**.

Identification of 2nd equation: $\quad y_{2t} = \beta_{21} y_{1t} + \gamma_{21} x_{1t} + \gamma_{25} x_{5t} + \gamma_{27} x_{7t} + u_{2t}$

$k^{**}_2 \geq GΔ_2 - 1$

$4 \geq 2 - 1$ ⟹ The second equation is **over identified**.

The Simultaneous model **is correctly built** based on the model identification.

4.3.3 Parameters' estimation using TSLSM in SW Gretl

TSLS model of 1st equation[62]:

The final vector of parameters:

β_{12}	0.00779114
γ_{11}	-0.930737
γ_{12}	0.309552
γ_{13}	-0.163603
γ_{14}	0.000000331208
γ_{15}	-0.0135388
γ_{16}	-0.0875783

The final form of econometric model:

$y_{1t} = 0.00779114y_{2t} - 0.930737 + 0.309552x_{2t} - 0.163603x_{3t} + 0.000000331208x_{4t} - 0.0135388x_{5t} - 0.0875783x_{6t} + u_{1t}$

TSLS model of 2nd equation[63]:

The final vector of parameters:

β_{21}	1.28407
γ_{21}	80.1914
γ_{25}	0.716190
γ_{27}	0.00000180596

The final form of econometric model:

$y_{2t} = 1.28407y_{1t} + 80.1914 + 0.716190x_{5t} + 0.00000180596x_{7t} + u_{2t}$

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[62] Detailed table is placed in Appendix 6.
[63] Detailed table is placed in Appendix 7.

4.3.4 Economic verification of parameters

Parameters from Two-Stage Least Squares method were used for economic verification. In the first equation, one parameter is (γ_{15}) unexpected compare with the assumptions. The reason might be the lack of data or the other important variables which are not included in the model. In the second equation, all parameters match with the assumptions.

Comparison of model assumptions with the results

Parameters	Value	Interpretation[64]	Type of relationship
β_{12}	0.00779114	If the Number of Matters increases by 100 matters, the winning offers will increase by 0.8 offer.	Expected
γ_{11}	-0.930737	If all other variables are equal zero, the winning offers will have value 0.93 units.	Expected
γ_{12}	0.309552	If the Offers submitted increase by 1 offer, the winning offers will increase by 0.31 offers.	Expected
γ_{13}	-0.163603	If the Pricing structure increases by 1 form, the winning offers willdecrease by 0.16 offers.	Expected
γ_{14}	0.000000331208	If the Investments in advertisement increase by 1,000,000 CZK, the winning offers will increase by 0.33 offers.	Expected
γ_{15}	-0.0135388	If the Number of company's clients increases by 1 client, the winning offers will decrease by 0.014 offers.	Unexpected
γ_{16}	-0.0875783	If the Members of team working on individual matters increase by 1 person, the winning offers will decrease by 0.088 offers.	Expected

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[64] And ceteris paribus

Parameters	Value	Interpretation[65]	Type of relationship
β 21	**1.28407**	If the Winning offers increase by 1 offer, the Number of Matters will increase by 1.28 matters.	Expected
γ 21	**80.1914**	If all other variables are equal zero, the Number of Matters will have value 80.19 units.	Expected
γ 25	**0.716190**	If the Number of company's clients increase by 1 client, the Number of Matters will increase by 0.72 matters.	Expected
γ 27	**0.00000180596**	If the Sales of the company increase by 1,000,000 CZK, the Number of Matters will increase by 1.8 matters.	Expected

4.3.5 Statistical verification of parameters

Statistical significance of estimated parameters

1st equation	UV	OS	PS	IA	NoC	MemT	NM
t-value (t-ration	-0.5993	4.708	-0.2915	0.3074	-1.249	-0.8793	0.8174
t-tab. (α=0,05)	2.040	2.040	2.040	2.040	2.040	2.040	2.040
V / N	**N**	**S**	**N**	**N**	**N**	**N**	**N**

Criteria:

T value (t) > t/ tab ….S

T value (t) < t/ tab ….N

Statistically **significant** criteria in α=0.05:   OS

Statistically **insignificant** criteria in α=0.05:   UV, PS, IA, NoC, MemT, NM

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[65] And ceteris paribus

2nd equation	UV	WO	NoC	S
t-value (t-ratio)	5.917	0.2464	3.281	3.689
t-tab. (α=0,05)	2.040	2.040	2.040	2.040
V / N	S	N	S	S

Statistically **significant** criteria in α=0.05:   UV, NoC, S

Statistically **insignificant** criteria in α=0.05:   WO

The confidence interval for estimated parameters

1st equation	UV	OS	PS	IA	NoC	MemT	NM
S_{bi}	1.5531	0.0656	0.56123	0.000001	0.01084	0.0996002	0.0095
t-tab. (α=0.05)	2.04	2.04	2.04	2.04	2.04	2.04	2.04
γ interval (lower)	-4.099	0.1754	-1.30852	-0.000002	-0.03566	-0.29076	-0.0117
γ interval (higher)	2.238	0.4437	0.98131	0.000003	0.00858	0.11561	0.0272
V / N	N	S	N	N	N	N	N

With the probability of 95%, the γ_{12} is in the interval 0.18 to 0.44.

2nd equation	UV	WO	NoC	S
S_{bi}	13.55240	5.21196	0.21830	0.00000
t-tab. (α=0.05)	2.04000	2.04000	2.04000	2.04000
γ interval (lower)	52.54450	-9.34833	0.27086	0.0000008
γ interval (higher)	107.83830	11.91647	1.16152	0.0000028
V / N	S	N	S	S

With the probability of 95%, the γ_{21} is in the interval 52.54 to 107.84.

With the probability of 95%, the γ_{25} is in the interval 0.27 to 1.16.

With the probability of 95%, the γ_{27} is in the interval 0.0000008 to 0.0000028.

Determination coefficient

The coefficient of determination R^2 was chosen for explanation of determination coefficient.

1st equation	**$R^2 = 0.576014$**
2nd equation	**$R^2 = 0.580425$**

The explanatory variables of the first equation describe the Winning offers by 57.6%. The explanatory variables of the second equation describe the Number of Matters by 58.04%. The R^2 are satisfying but the data could fit better with the statistic model. To increase the R^2, more independent variables (ex. lagged variable) should be added but only if it makes substantive sense.

4.3.6 Econometric verification

Autocorrelation

- **1st equation** p-value   =   0.584

  α =   0.05

  H0 Hypothesis: No autocorrelation

  p-value $> \alpha$ No autocorrelation in equation.

- **2nd equation** p-value   =   0.723

  α =   0.05

  H0 Hypothesis: No autocorrelation

  p-value $> \alpha$ No autocorrelation in equation.

Heteroskedasticity tests

- **1st equation** p-value   =   0.204

  α =   0.05

  H0 Hypothesis: Homoskedasticity

  p-value $> \alpha$ Homoskedasticity in equation

- **2ⁿᵈ equation**   p-value   =   0.00139

  α   =   0.05

  H0 Hypothesis: Homoskedasticity

  p-value < α   Heteroskedasticity in equation

  Elimination: change the equation (delete or add variable)

Normality

- **1ˢᵗ equation**   p-value   =   0.84779

  α   =   0.05

  H0 Hypothesis: Normal distribution

  p-value > α   Normal distribution of residual in the equation

  Elimination: change the equation (delete or add variable)

- **2ⁿᵈ equation**   p-value   =   0.06458

  α   =   0.05

  H0 Hypothesis: Normal distribution

  p-value > α   Normal distribution of residual in the equation

  Elimination: change the equation (delete or add variable)

4.3.7 Matrix B, Γ and matrix M

$y_{1t} = \beta_{12}y_{2t} + \gamma_{11}x_{1t} + \gamma_{12}x_{2t} + \gamma_{13}x_{3t} + \gamma_{14}x_{4t} + \gamma_{15}x_{5t} + \gamma_{16}x_{6t} + u_{1t}$

$y_{2t} = \beta_{21}y_{1t} + \gamma_{21}x_{1t} + \gamma_{25}x_{5t} + \gamma_{27}x_{7t} + u_{2t}$

$y_{1t} = 0.00779114y_{2t} - 0.930737 + 0.309552x_{2t} - 0.163603x_{3t} + 0.000000331208x_{4t} - 0.0135388x_{5t} - 0.0875783x_{6t} + u_{1t}$

$y_{2t} = 1.28407y_{1t} + 80.1914 + 0.716190x_{5t} + 0.00000180596x_{7t} + u_{2t}$

Matrix β: 2x2

1	- β_{12}
-β_{21}	1

1	- 0.00779114
-1.28407	1

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Matrix Γ: 2x7

-γ11	-γ12	-γ13	-γ14	-γ25	-γ26	1
1	1	1	1	-γ25	1	-γ27

0.930737	-0.309552	0.163603	- 0.00000033	0.0135388	0.0875783	1
-80.1914	1	1	1	-0.716190	1	-0.0000018

Matrix M: matrix of multiplayers. The elements are the structural parameters from reduce form of the model.

-30.5821	30.9417	-16.3532	0.00003	-0.79554	-8.75401	0.00000141
227.4838	-70.2395	37.1226	-0.00008	3.62064	18.51866	-0.00000319

Reduce form of model and interpretation

$y_{1t} = -30.5821x_{1t} + 30.9417x_{2t} - 16.3532x_{3t} + 0.00003x_{4t} - 0.79554x_{5t} - 8.75401x_{6t} + 0.00000141 x_{7t} + V_1$

$y_{2t} = 227.4838x_{1t} - 70.2395x_{2t} + 37.1226x_{3t} - 0.00008x_{4t} + 3.62064x_{5t} + 18.51866x_{6t} - 0.00000319x_{7}t + V_2$

"Reduced form models evaluate endogenous variables in terms of observable exogenous variables and serve to identify relationships between the variables. Structural models are derived from theory and often include unobservable parameters that help describe behaviour at a deep level."[66]

Parameters	Value	Interpretation[67]	Type of relationship
γ 11	**-30.5821**	If all other variables are equal zero, the winning offers will have value 30.58 units.	Expected
γ 12	**30.9417**	If the Offers submitted increase by 1 offer, the winning offers will increase by 30.94 offers.	Expected
γ 13	**-16.3532**	If the Pricing structure increases by 1 form, the winning offers will decrease by 16.35 offers.	Expected
γ 14	**0.00003**	If the Investments in advertisement increase by 1,000 CZK, the winning offers will	Expected

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[66] FUNK, Ashley: Structural and Reduced-Form Models. Utah State University. 2011. Available on: http://www.czso.cz/csu/redakce.nsf/i/cr_od_roku_1989.
[67] And ceteris paribus

Parameters	Value	Interpretation[68]	Type of relationship
γ 15	**-0.79554**	increase by 0.03 offers. If the Number of company's clients increases by 1 client, the winning offers will decrease by 0.8 offers.	Unexpected
γ 16	**-8.75401**	If the Members of team working on individual matters increase by 1 person, the winning offers will decrease by 8.75 offers.	Expected
γ 17	**0.00000141**	If the Sales of the company increase by 1,000,000 CZK, the Number of Matters will increase by 1.4 offers	Expected

Parameters	Value	Interpretation[68]	Type of relationship
γ 21	**227.4838**	If all other variables are equal zero, the Number of Matters will have value 227.48 units.	-
γ 22	**-70.2395**	If the Offers submitted increase by 1 offer, the Number of Matters will decrease by 70.24 matters.	Unexpected
γ 23	**37.1226**	If the Pricing structure increases by 1 form, Number of Matters will increase by 37.12 matters.	Unexpected
γ 24	**-0.00008**	If the Investments in advertisement increase by 1,000 CZK, Number of Matters will decrease by 0.08 matters.	Unexpected
γ 25	**3.62064**	If the Number of company's clients increases by 1 client, the Number of Matters will increase by 3.62 matters.	Expected
γ 26	**18.51866**	If the Members of team working on individual matters increase by 1 person, the Number of Matters will increase by 18.52 matters.	Unexpected
γ 27	**-0.00000319**	If the Sales of the company increase by 1,000,000 CZK, the Number of Matters will decrease by 1.39 matters.	Unexpected

The reduce model sets new parameters. In the first equation, one parameter is (γ_{15}) unexpected compared to the assumptions from 4.3.1 Economic model and econometric

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[68] And ceteris paribus

model. In the second equation, six parameters do not match with the assumptions. The reason might be the lack of data or the other important variables which are not included in the model. Some extreme results might be caused by the external factors which are not included in this analysis, for example, more matters could be managed for one client.

4.3.8 Model application

Coefficients of elasticity

	y_{2t}	x_{2t}	x_{3t}	x_{4t}	x_{5t}	x_{6t}
1st equation	-0.122	1.31346	-0.0013	-0.212	-0.0019	-0.198
	y_{1t}	x_{5t}	x_{7t}			
2nd equation	-0.018	0.004	0.433			

For estimation of elasticity the general form $E = (dy / dx_i) * (x_i / \hat{y})$ is used. The following results are:

Number of Matters

If the Number of Matters increases by 1%, the winning offers decrease by 0.122%.

Offers submitted

If the Offers submitted increase by 1%, the winning offers increase by 1.313%.

Pricing structure

If the Pricing structure increases by 1%, the winning offers decrease by 0.0013%.

Investments in advertisement

If the Investments in advertisement increase by 1%, the winning offers decrease by 0.212%.

Number of company's clients

If the Number of company's clients increase by 1%, the winning offers decrease by 0.0019%.

Members of team working on individual matters

If the Members of team working on individual matters increase by 1%, the winning offers decrease by 0.198%.

From the results of elasticity it can be assumed that the **biggest influence** of given variables of the first equation on the winning offers has Pricing structure.

The Winning offers

If the winning offers increases by 1%, the Number of Matters decreases by 0.018%.

Investments in advertisement

If the Investments in advertisement increase by 1%, the Number of Matters increases by 0.004%.

Sales (turnover)

If the Sales (turnover) increase by 1%, the Number of Matters increases by 0.433%.

From the results of elasticity it can be assumed that the **biggest influence** of given variables of the second equation on the Number of Matters has the Investments in advertisement.

4.4   SWOT Analysis of the Company

Each company, including the law companies, should have adequate and useful information about the market they operate in. However, businesses should not underestimate the importance of their internal options to compete with other businesses and should offer to their clients the best possible services. One of the tools to define the mentioned facts is the SWOT analysis. It analyses strengths, weaknesses, opportunities and threats to a company.

4.4.1 Strengths

- Extensive range of legal services in wide range of areas/fields
- Professional legal advice of high quality
- Number of globally well-known lawyers with great reputation
- Possibility of discounting offers for selected clients
- Global law company – worldwidecoverage of offices and associated offices
- High ranking in internationally recognized publications in respect of the best lawyers and law firms
- Winning local and global awards
- Strong relationships between the offices around the world
- Cooperation of lawyers from different offices on international matters
- Trustworthiness of the Company to client
- Location of offices - places in the city centres
- Career opportunities and benefits for employees
- Supporting law students' motivation in education by thesis competition with financial reward
- Financial support of non-profit organizations
- Cooperation between departments (e.g. marketing team, IT team, Risk team, other office support teams)

4.4.2 Weaknesses

- Price competitiveness - high-priced offers compared to market opportunities

- Company's web improvement necessary
- Waste management - limited focus on environment and recycling
- Management of office supplies – uneconomical global distribution
- Misinformation about office merges opportunities and their consequences
- Insufficient public awareness about the Company caused by brand name changes during the merge process
- Stressful work environment due to a large amount of work with pressing deadlines
- Low retention rate – mainly in paralegal positions

4.4.3 Opportunities

- One of the biggest international law companies on the market
- Stable market with significant business opportunities and rapid growth
- Inflow of investors and international companies demanding legal services
- Increase of the amount of stable and consistent clients due to market growth
- Limited market entry - Licence by the Czech Bar Association (CBA) requirement
- Opportunity of extending the Company's team by lawyers from competitors with an unstable position on the market
- Large labour supply from law school graduates

4.4.4 Threats

- Highly competitive[69] and price sensitive market
- Need for protection and dealing with very sensitive and confidential client information
- Possibility of merger of competitor law companies
- Loss of clients due to external factors (e.g. business closure)
- New laws and legislation set by governments influencing the client preferences in first choice of the law company
- Threat of hack attacks and connected loss o credibility

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[69] The competition is not always recognized as a threat. The competitors keep their opponents on their toes and work harder. At a certain level, the competition could be beneficial for any company.

5 Anticipated development and recommendation

The Company is expected to further develop its businesses around the world by the strategy of further mergers and acquisitions. These actions give them a significant advantage of being the world leader on the law market. The Czech Republic office plans to increase the employee base as well. In order to be able to provide appropriate working conditions, more space in the building where they have their headquarters for the Czech Republic was rented. However, the Marketing Department in the Czech Republic has inadequate number of staff and the increasing amount of work creates stressful work environment and possibly causes the employees in the department to leave.

Future extensions of the Company require improved communication and cooperation amongst all the employees of the Company. If everyone's work was done properly – information added (such as marketing activities, submitted offers, expected matters etc.) to the Company's intranet, the work effectivity would rapidly increase. The number of offers submitted without the knowledge of the marketing department has decreased and the percentage of lost data is expected to be further decreasing by more intensive cooperation. It is not impossible to have a quality communication channel and functioning cooperation policy in the company of this size. However, employees' support stays one of the important factors in successful management.

The Company faces the same problem that most of the global companies do: the uneconomical global distribution of office supplies and ineffective waste management. These cast a shadow on the Company's image. Modern world requires technological advances giving businesses opportunities to focus more on the environment and recycling. Public want awareness of environment and eco-friendly behaviour from businesses. The Company's interest in the environment could be beneficial for its image and could be used in a marketing campaign highlighting the green policies.

The marketing department should not prepare only campaigns but also manage strategy supporting vision and mission of the business. The marketing plan of the Company is a part of the Business Development budget plan which has a higher importance than the marketing plan. The marketing plan contains planned marketing activities, such as training, marketing materials, advertising, external events, PR, etc., and the budget plan related to these items. However, an analysis and evaluation of the marketing activities' efficiency is missing

from the activities of the Czech Republic office. The Company as a whole has some global marketing plan and its evaluation but the Czech Republic office has not shown any evidence of a proper marketing plan for this specific office in a structure described in this thesis. The marketing department should create a local marketing plan based on the global marketing aims which would be structured and monitored during operational period of the plan.

The main recommendation for the Company is to "think globally and act locally". Not only in the relation to the clients but also to the employees, the environment and society as one big complex. Common sense in some occasions surpasses blindly following global decisions.

6 Conclusion

The key aim of this diploma thesis was to analyse the marketing strategy of a specific company which was denoted as the Company due to the confidential status. The detailed data were collected from the Company's databases and supplemented by an interview with the Business Development and Marketing Manager and Author's own research in the office in the Czech Republic.

The Company's management are aware of their position on the market and have a high self-confidence as a leader in certain law areas. They do not fear any immediate competition which can be, however, short-sighted approach. **Expectations of further expansions** give them confidence on the market.

As one of the largest law companies in the world, the Company is facing the typical problems which most of the global businesses have. The global marketing of the Company is giving strict instructions for all the Company's offices to be followed. The global regulations and rules are sometimes unsuitable for some offices or even could be very ineffective, such as the costly global distribution of marketing materials.

The Company's employees should be **more aware of the environment**. The significant amount of waste caused by global distribution or offices' operations affects the environment and negatively influences public opinion. Accepting a green business status, would create a positive image and reputation for the Company, as well as public support, higher employee's satisfaction and free media coverage

Employees of the Company are overloaded by e-mails and personal meetings are often not used. A **zero e-mail program** (or other similar initiatives) should be implement in order to increase work effectiveness and interpersonal relationships.

The analyses focus on the office based in the Czech Republic. The Marketing Department has a problem with insufficiency in the human capital. It should be enlarged by at least by one full-time employee. Low communication level among the Company's employees has resulted in the **marketing database missing approximately 20% data** on the submitted offers. One of the future recommendations is, therefore, to create a communication policy in order to improve the databases for future analyses.

The marketing plan of the Company is provided on the global level. The Business Development and Marketing Manager confirmed the Czech office has a local marketing plan

as a part of its business plan. The plan contains a planned budget and marketing activities for a specific time period. The plan also includes implementation part which takes the company back to the first phase of planning. It tries to find better alternatives due to continuously growing opportunities on the market and Company's situation, position and continuous development. The **marketing plan should be improved** by evaluation of the marketing activities' efficiency and be considered as more significant, important and guiding by the employees of the Company.

The first model - **One-equation model** - is focused on the Winning offers. The testing of correlation at the beginning of the section detected multicollinearity in the model which could affect calculations and distort results. To avoid the collinearity, a lagged variable and a dummy variable were applied but the collinearity was still presented. The affected variable was therefore excluded to limit the bias. The economic verification of parameters provided results (expect of one) which were similar to the assumptions. However, only one variable (x_2) is statistically significant at the 95 percent confidence limit or higher. To improve the analysis, the **new Simple Regression Model** was created by the significant variable of the previous One-equation model and other insignificant variables were excluded. The testing of the model (e.g. Durbin – Watson test) has satisfying results. The coefficient of determination R^2 determined that the explanatory variables (Unit vector, Offers submitted) describe the winning offers by 58.57% which means that the rest of the variables from the One-equation model had a very low influence. This low value can be caused by lack of observations. The model is also missing one or more significant variables. The results of the Simple Regression Model defined that **if the offers submitted increase by 1%, the winning offers increase by 1.33%**.

The **Simultaneous model** is composed of two equations. The first equation is taken from the One-equation model and the second equation examines relationship between the Number of Matters in the dependent relation to the Number of the company's clients and Sales (turnover) of the Company. The testing of correlation at the beginning of the section detected multicollinearity. The first difference was used to eliminate the multicollinearity. After the change of data, the multicollinearity has not been detected anymore. The economic verification of the parameters provided results which defined one assumption as incorrect. The whole Simultaneous model had four significant variables. More observations would probably define better results. However, the analysis was restricted by the time period which

was chosen to limit the influences caused by merges and acquisitions of the Company with other companies before and after this period. The Coefficient of determination, R^2, for both equations was around 57%. The testing supported the hypothesis of no autocorrelation and homoskedasticity.

The reduced model was created from matrix β and matrix Γ and new parameters were given which were interpreted with sufficiency for the first equation and less sufficiency for the second equation. From the results of elasticity, it is assumed that **the Pricing structure has the biggest influence** of the given variables of the first equation **on the winning offers**. The **Investment in advertisement** has the biggest influence of the given variables of the second equation. The models could be improved by more data which are now missing in the Company's databases and could be changed by better communication of the Company's employees.

The SWOT analysis defined that the Company has a very strong position in the highly competitive and price sensitive market. The Company has offices in more than a hundred places around the world and expects further expansion. A significant weakness is higher pricing level compared to their competitors but the Company can justify them a great reputation and high quality services focusing on a specific market. All strengths, weaknesses, opportunities, and threats being analysed, the Company is able to keep their position and the market threats should not significantly affect them. For the Company's future development, it is recommended to vigorously analyse the market and their competitors regularly in order not to lose the competitive margin and have clear possibility of options.

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Appendix 1: Detection of Multicollinearity in One-equation model

```
Correlation Coefficients, using the observations 2013:04 - 2015:11
5% critical value (two-tailed) = 0.3494 for n = 32

            y            x2            x3            x4            x5
        1.0000        0.7653        0.0113       -0.2274       -0.1191  y
                      1.0000        0.1265       -0.4639        0.0389  x2
                                    1.0000       -0.6476       -0.2339  x3
                                                  1.0000        0.2018  x4
                                                                1.0000  x5


           x6            x7
       -0.0695       -0.0341  y
        0.0904        0.0620  x2
        0.0958       -0.1170  x3
       -0.2858        0.1947  x4
        0.1849        0.9030  x5
        1.0000        0.2395  x6
                      1.0000  x7
```

Appendix 2: Second detection of Multicollinearity in One-equation model

```
Correlation Coefficients, using the observations 2013:05 - 2015:11
5% critical value (two-tailed) = 0.3550 for n = 31

           y1            x2            x3            x4            x5
        1.0000        0.7554       -0.0004       -0.2239       -0.1220  y1
                      1.0000        0.1157       -0.4672        0.0390  x2
                                    1.0000       -0.6469       -0.2346  x3
                                                  1.0000        0.2021  x4
                                                                1.0000  x5


           x6            x7
       -0.0991       -0.1055  y1
        0.0603       -0.0073  x2
        0.0880       -0.2251  x3
       -0.2832        0.2542  x4
        0.1863        0.8778  x5
        1.0000        0.1814  x6
                      1.0000  x7
```

Appendix 3: Dummy Variable and Multicollinearity in One-equation model

```
Correlation Coefficients, using the observations 2013:05 - 2015:11
5% critical value (two-tailed) = 0.3550 for n = 31

        y1              x2              x3              x4              x5
     1.0000          0.7554         -0.0004         -0.2239         -0.1220    y1
                     1.0000          0.1157         -0.4672          0.0390    x2
                                     1.0000         -0.6469         -0.2346    x3
                                                     1.0000          0.2021    x4
                                                                     1.0000    x5


        x6              x7              x8
    -0.0991         -0.1055          0.3049    y1
     0.0603         -0.0073          0.0542    x2
     0.0880         -0.2251          0.1182    x3
    -0.2832          0.2542          0.2064    x4
     0.1863          0.8778         -0.2409    x5
     1.0000          0.1814          0.0746    x6
                     1.0000         -0.0642    x7
                                     1.0000    x8
```

Appendix 4: Detection of Multicollinearity in Simultaneous model

```
Correlation Coefficients, using the observations 2013:04 - 2015:11
5% critical value (two-tailed) = 0.3494 for n = 32

        y1              y2              x2              x3              x4
     1.0000         -0.0341          0.7653          0.0113         -0.2274    y1
                     1.0000          0.0620         -0.1170          0.1947    y2
                                     1.0000          0.1265         -0.4639    x2
                                                     1.0000         -0.6476    x3
                                                                     1.0000    x4


        x5              x6              x7
    -0.1191         -0.0694          0.1117    y1
     0.9030          0.2395          0.6473    y2
     0.0389          0.0905          0.0650    x2
    -0.2339          0.0957         -0.0889    x3
     0.2018         -0.2859          0.0981    x4
     1.0000          0.1850          0.5934    x5
                     1.0000          0.1974    x6
                                     1.0000    x7
```

Appendix 5: Elimination of Multicollinearity in Simultaneous model

```
Correlation Coefficients, using the observations 2013:05 - 2015:11
5% critical value (two-tailed) = 0.3550 for n = 31

          y1            y2            x2            x3            x4
      1.0000       -0.0474        0.7554       -0.0004       -0.2239   y1
                    1.0000        0.0484       -0.1215        0.1979   y2
                                  1.0000        0.1157       -0.4672   x2
                                                1.0000       -0.6469   x3
                                                              1.0000   x4


          x5            x6            x7
     -0.1115       -0.0991        0.0902   y1
      0.6021        0.2330        0.6456   y2
      0.0001        0.0603        0.0377   x2
     -0.2056        0.0880       -0.0977   x3
      0.2029       -0.2832        0.1042   x4
      1.0000        0.1386        0.3329   x5
                    1.0000        0.1827   x6
                                  1.0000   x7
```

Appendix 6: TSLS of first equation

```
Model 3: TSLS, using observations 2013:05-2015:11 (T = 31)
Dependent variable: y1
Instrumented: y2
Instruments: const x2 x3 x4 x5 x6 x7

            coefficient    std. error        z       p-value
      ------------------------------------------------------------
  const      -0.930737      1.55307       -0.5993    0.5490
  x2          0.309552      0.0657488      4.708     2.50e-06  ***
  x3         -0.163603      0.561234      -0.2915    0.7707
  x4          3.31208e-07   1.07748e-06    0.3074    0.7585
  x5         -0.0135388     0.0108435     -1.249     0.2118
  x6         -0.0875783     0.0996002     -0.8793    0.3792
  y2          0.00779114    0.00953104     0.8174    0.4137


Mean dependent var      1.483871    S.D. dependent var      1.387347
Sum squared resid      24.63286     S.E. of regression      1.013099
R-squared               0.576014    Adjusted R-squared      0.470018
F(6, 24)                5.925658    P-value(F)              0.000660
Log-likelihood       -231.0909      Akaike criterion      476.1817
Schwarz criterion     486.2196      Hannan-Quinn          479.4538
rho                     0.324881    Durbin-Watson           1.341307
```

Appendix 7: TSLS of second equation

```
Model 2: TSLS, using observations 2013:05-2015:11 (T = 31)
Dependent variable: y2
Instrumented: y1
Instruments: const x2 x3 x4 x5 x6 x7

             coefficient      std. error       z        p-value
   -----------------------------------------------------------
   const     80.1914          13.5524          5.917    3.28e-09 ***
   y1         1.28407          5.21196         0.2464    0.8054
   x5         0.716190         0.218300        3.281     0.0010   ***
   x7         1.80596e-06      4.89599e-07     3.689     0.0002   ***

Mean dependent var    123.4516    S.D. dependent var    44.97839
Sum squared resid     25465.82    S.E. of regression    30.71121
R-squared             0.580425    Adjusted R-squared    0.533805
F(3, 27)              12.57701    P-value(F)             0.000025
rho                  -0.039327    Durbin-Watson          2.017985
```