



THE NEW ELLIS GROUP

# Monday Monday

*Connecting the Dots with Karen Kaplowitz*



*Helping you create and reinforce the habits of successful career building,  
gleaned from my work as a business development strategist, trainer and coach*

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## Sunk Costs

Are you reluctant to let go of some prospective clients because you have invested so much effort in pursuing them? If so, you may be experiencing what Nobel Prize-winning behavioral economist Daniel Kahneman called "the sunk cost fallacy". Kahneman demonstrated that sometimes people behave irrationally because they don't want to lose the value of time, effort, or money they have invested even when they have concluded it is a lost cause. As you decide where to invest your efforts, here are some questions to ask:

- Do you periodically cull your list of prospective clients to eliminate ones which have not produced any results?
- Do you consider objective criteria in evaluating the likelihood your efforts will be successful? For example, do your skills match their needs? Are your rates in the right ranges? Are they locked into preferred providers for the foreseeable future or loyal to a competitor?
- Do you give up on prospects when they are non-responsive?
- Do you pursue people who are well-positioned to refer work to you even if you don't know them well?
- Do you eliminate prospects where your pursuit depends on someone else, like a partner in your firm, who has not been helpful?
- Are you reluctant to give up on prospects because you listed them in a business plan or yearend self-evaluation?

Everyone has limited time and focus to devote to business development so if you hang onto unlikely prospects, you are by definition giving up better opportunities.

**Example:** A trial lawyer had been the second chair for many years for a major firm client. He had developed a close relationship with the client's head of litigation and had assumed an increasing level of responsibility for managing the client's work. When the trial lawyer decided to make a lateral move, he expected that he had a good shot at taking some of the client's work with him. He included information about the client in his lateral partner questionnaire and shared with the new firm that he believed he would take some existing work and attract new work from the client. When he moved, the client transferred a few matters on which he had been the principal lawyer but did not retain the firm for new work. The head of litigation explained that the general counsel remained very loyal to the client relationship partner at his old firm with whom the general counsel had attended law school.

The lateral found it hard to accept that he was not likely to attract new work from a client for whom he had gotten so many great results and continued to list the client on his annual business plans for several years. He invited the head of litigation to firm events and quarterly lunches and saw the head of litigation and his wife socially on occasion. After several years of having to explain to his new firm's compensation committee why he hadn't gotten any work from the client, he finally took the client off his list. He focused instead on some other companies in the same industry for whom his prior experiences and successes were very appealing.

Are you holding onto some business development initiatives because you have invested so much effort that it is hard to let go? Would you be better off with a fresh start with new prospects?