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## Article

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## The influence of selected factors on the perceptions of managers of medium business firms regarding legal firms

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The South African service provider is faced with an increasingly turbulent and complex competitive environment. Factors which impact specifically on the environment of service firms include the growing importance of consumerism and a drastic increase in competition. A factor that impacts directly on the growing competition amongst providers of legal services is the increase in law graduates and commensurate increase in qualified attorneys and advocates entering the market. This article represents an exploratory study establishing the relative value attached by medium business in South Africa to certain factors pertaining to firms providing legal services.

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### Introduction

Firms cannot survive on their own, in other words completely isolated, because firms are part of the environments within which they function. Firms receive inputs such as the factors of production from the external environment and deliver outputs to the environment. Enterprises are exposed to changes in these environments. These changing environments may have positive or negative consequences for enterprises. Various interactive forces (environmental variables) affect the environment of enterprises. This creates certain opportunities or threats for firms (Marx, Van Rooyen, Bosch & Reynders, 1998: 37).

The South African service provider is thus faced with an increasingly turbulent and complex competitive environment (Griffith & Rust, 1997: 109–116). Factors which impact specifically on the environment of service firms (such as the providers of legal services) include the growing importance of consumerism and a drastic increase in competition (Harrel & Fors, 1992: 299–306; Kahn, 1998: 45–53).

The latter factor has a number of causes including, amongst others, a stagnating economy (Griffith & Rust, 1997: 109–116). A factor that impacts directly on the growing competition amongst providers of legal services is the increase in law graduates and commensurate increase in qualified attorneys and advocates entering the market.

Figures supplied by the Law Society of the Cape of Good Hope and the Law Society of the Transvaal indicate an increase in excess of 50% in the number of practising attorneys in both the former provinces of the Cape and Transvaal between the years 1990 and 1997. In the former Cape Province (including the former Ciskei and Transkei) there were 2 027

practising attorneys in 1990. This figure increased to 3 173 in 1997, amounting to an increase of 56.5%. In the former Transvaal there were 3 632 practising attorneys in 1990. This figure increased by 54.7% to a total of 5 621 in 1997. These figures represent a drastic increase in the number of providers of legal services, specifically as far as attorneys are concerned.

### Objectives and problem investigated

In order for a firm to survive and prosper in an environment as indicated above, the firm must adopt a marketing-orientated strategy. This means that responsiveness to customer needs should be the central focus of all marketing activities (Lamb, Hair & McDaniel, 1998: 833; Menon, Jaworski & Kohli, 1997: 187–200; Ramsey & Sohi, 1997: 127–137).

Historically, customer service has been seen from a somewhat narrow perspective. This narrow perspective suggests that the primary role of customer service is concerned with getting the right product to the right place at the right time and the focus was primarily from a distribution and logistics viewpoint. However, a new vision of customer service has started to emerge (Christopher, Payne & Ballantyne, 1993: 5).

In essence one has to listen to one's clients and potential clients and build a relationship with them (Duhan, Johnson, Wilcox & Harrell, 1997: 283). In the case of a firm providing a service, it may be even more important to know what the perceptions are of one's firm as opposed to a firm providing a physical product. In the latter situation the customer may be more interested in the physical product as an entity separate from the producer or provider of the product, whilst in the

case of a service provider, the provider is seen as synonymous with the product (service).

Consumers apply various decision strategies in their information processing tasks because they cannot process all of the information that is available for purchase decisions (Duhann *et al.*, 1997: 283). These decision strategies can be divided on the one hand into processes whereby the consumer processes information on both product alternatives and their attributes, without the assistance of others. Factors such as location, personal knowledge, knowledge of the service and perception of the service, may be relevant information in the decision process of a client in deciding on support for a particular provider of legal services. On the other hand there are processes whereby the consumer makes use of the assistance of people to help him or her in his or her decision, for example by means of word-of-mouth and advertising. The perceptions of a firm may be influenced by a host of factors, *inter alia* the factors mentioned above. Clearly, positive perceptions about a firm (and the service it renders) will determine support and loyalty for such a firm.

This article considers a selected number of factors in order to determine their impact on the perceptions held by managers of medium business firms regarding legal firms. These factors are advertising, word-of-mouth, personal knowledge, knowledge of the service, location and perceptions of the service.

For the purposes of this article the factor personal knowledge is understood to mean that the respondents personally know member(s) of legal firms, who may be friends or family for example, whilst knowledge of the service is understood to mean the actual knowledge the respondent has in respect of the service provided by a specific legal firm.

### Research objectives

The primary objective of this research is to establish the value attached by current and potential clients from a medium business firm market segment to certain factors pertaining to firms providing legal services. Once this has been established it will be possible to advise these firms as to the relevant importance of these various factors facilitating, hopefully, more effective strategising as well as better service delivery to clients.

A secondary objective is the design (and testing) of a measuring instrument for use in future research of this nature. The factor analysis done on the collected data will assist in establishing the relative worth of the different individual measuring items used in the measuring instrument.

### Methodology

#### Sample selection

The focus of the article is managers of medium firms and judgmental sampling was used. The sample size was 230, which yielded 126 useable questionnaires. The response rate of 54.78% was regarded as acceptable.

Questionnaires were mailed to each respondent's work address with a reply-paid envelope and covering letter. Completed questionnaires were mailed back directly to the researchers.

### Measuring instrument

The measuring instrument used for this specific study, consisting of 39 items, was developed and used by the researchers in a similar study.

### Data analysis and empirical findings

A stepwise reliability analysis was performed by using SAS PROC CORR (SAS Institute, Inc. 1990). In this stepwise analysis individual measurements of a measuring instrument are removed if such deletion will result in an improvement of the internal consistency (as measured by Cronbach's alpha coefficient). The procedure terminates when the alpha coefficient of the measuring instrument can no longer be improved by deleting individual measurements.

For the purpose of this study the recommended cut-off value of 0.7, as suggested by Nunnally (1978), was used to indicate significance of the individual measuring instruments.

After a Cronbach alpha analysis was conducted it became evident that certain items had to be removed from further analysis to obtain higher Cronbach alpha values for the different factors. These items included those for word-of-mouth and knowledge of the service (see Table 1).

**Table 1** Final instruments

| Variables              | Alpha coefficients |
|------------------------|--------------------|
| Advertising            | 0.887              |
| Word-of-mouth          | 0.659              |
| Personal knowledge     | 0.920              |
| Location               | 0.914              |
| Knowledge of service   | 0.619              |
| Perceptions of service | 0.916              |

The discriminant and construct validity of the instruments were assessed by means of a stepwise exploratory factor analysis. In the application of this procedure individual measurements are removed from measuring instruments if this action yields an instrument with an acceptable level of validity. In each step of this analysis, a maximum likelihood factor analysis with a Direct Quartimin oblique rotation of the original factor matrix was performed by using the computer program BMDP4M (Frane, Jennrich & Solomon, 1990: 331–337). The rotated factor loadings of the final set of adapted measuring instruments are listed in Table 2.

From the results reflected in Table 2 it can be deduced that from the selected factors advertising, personal knowledge, location and perception of the service yielded instruments with acceptable levels of validity.

Mean values for the different variables were identified. Table 3 ranks the variables in order of importance according to their mean values.

The mean values indicate that perception of the service rated the highest amongst respondents and advertising the lowest.

### Implications for management

Continuous environmental scanning is necessary for strategy formulation. When the capability of the enterprise is syn-

**Table 2** Rotated factor loadings (final step)

| Variable  | Factor 1     | Factor 2     | Factor 3     | Factor 4     |
|-----------|--------------|--------------|--------------|--------------|
| Advert 6  | -0.021       | <b>0.964</b> | 0.002        | 0.011        |
| Advert 7  | 0.132        | <b>0.879</b> | -0.032       | -0.023       |
| Advert 8  | -0.045       | <b>0.890</b> | 0.057        | 0.031        |
| Advert 10 | -0.016       | <b>0.835</b> | 0.014        | 0.004        |
| Perknow1  | 0.132        | 0.055        | <b>0.695</b> | 0.120        |
| Perknow2  | 0.074        | 0.050        | <b>0.821</b> | 0.016        |
| Perknow3  | -0.050       | 0.047        | <b>0.951</b> | 0.014        |
| Perknow4  | 0.011        | -0.060       | <b>0.981</b> | -0.013       |
| Locate1   | <b>0.649</b> | 0.126        | 0.054        | 0.102        |
| Locate2   | <b>0.860</b> | 0.007        | 0.104        | -0.160       |
| Locate3   | <b>0.924</b> | 0.015        | -0.010       | -0.0147      |
| Locate4   | <b>0.731</b> | 0.062        | 0.036        | 0.009        |
| Locate5   | <b>0.663</b> | -0.055       | -0.048       | 0.293        |
| Locate6   | <b>0.602</b> | 0.105        | 0.078        | 0.101        |
| Locate7   | <b>0.630</b> | 0.006        | 0.070        | 0.146        |
| Percep3   | -0.018       | -0.032       | 0.128        | <b>0.865</b> |
| Percep4   | 0.098        | 0.195        | -0.024       | <b>0.663</b> |
| Percep5   | 0.088        | 0.025        | 0.093        | <b>0.779</b> |

**Table 3** Mean values

| Variable              | Mean  |
|-----------------------|-------|
| Perception of service | 5.765 |
| Personal knowledge    | 4.567 |
| Location              | 4.368 |
| Advertising           | 3.430 |

chronised with opportunities in the business environment, it provides a better understanding of the role of the enterprise in society and constant awareness enables management to overcome threats from a changing environment timeously and to exploit opportunities meaningfully.

Apart from the above, various other aspects for consideration by the manager of a service providing firm, are revealed by the research.

The mean values indicated that the respondents regarded perception of the service as being the most important factor (as compared to the other factors) when they chose a legal firm with whom to do business.

The research affirms that personal knowledge and contact with a service provider, such as a firm of attorneys, is a significant factor in determining perceptions of clients of service providers.

The location of a firm of attorneys is also a consideration for a manager of a medium business firm. If, for example, a legal firm is located in a so-called 'good area' managers of medium business firms will perceive such a legal firm positively.

Interestingly, firms of attorneys that advertise will be perceived less positively by managers of medium business firms.

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**Annexure A****Evaluate your attorney or firm of attorneys**

Instructions: The following statements refer to your **perceptions** as a professional person regarding your attorney or firm of attorneys. Please show the extent to which you think your attorney or firm of attorneys possesses the features described by each statement. Do you **strongly agree** that your attorney or firm of attorneys possesses a feature, circle the number 7. If your feelings are not particularly strong, circle 4. There are no right or wrong answers – you must merely indicate a number that best reflects your perceptions about your attorney or firm of attorneys. Thank you.

|  | Agree strongly |   |   | Neutral |   | Disagree |   |
|--|----------------|---|---|---------|---|----------|---|
|  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 1 Firms of attorneys which make use of advertising are more professional than firms which do not   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 2 Firms of attorneys make use of advertising because they have struggled to get sufficient business in the past  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 3 I will make use of an attorneys' firm because the firm uses advertising  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 4 If I have to choose between two firms of attorneys, I would choose the one making use of advertising   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 5 Firms of attorneys make use of advertising because they want to improve their image  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 6 The fees charged by firms of attorneys, which make use of advertising, are higher than fees of firms which do not use advertising  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 7 I believe that firms of attorneys, which make use of advertising, will provide a better service  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 8 Today all firms of attorneys should make use of advertising  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 9 Firms of attorneys, which do not make use of advertising, do not need to advertise   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 10 Firms of attorneys which make use of advertising, are more modern and up to date than those which do not use advertising  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 11 I do business with my current firm of attorneys because they were recommended to me by family/friends/business acquaintances  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 12 I will leave my current firm of attorneys if I hear that my family/friends/business acquaintances had an unpleasant experience with them  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 13 I will rather go to a firm of attorneys which my family/friends/business acquaintances recommend, than to one which became known to me by means of advertising                  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 14 It is important to me to know that a firm of attorneys was well accepted by my family/friends/business acquaintances, before I will consider such a firm                        | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 15 The more people talk about a firm of attorneys, the more successful such a firm is  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 16 I always choose my firm of attorneys according to the nature of a problem or situation  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 17 I will (without being unhappy with my current firm of attorneys) move to another firm of attorneys if I perceive them to render a better service                                | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 18 I will move to another firm of attorneys if I perceive the fees of my current firm of attorneys as being too high   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 19 I am with my current firm of attorneys, because of my personal experience of knowledge regarding their good service   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 20 Knowledge I have regarding the unethical rendering of service by my current firm of attorneys in respect of others does not influence my relationship with my firm of attorneys | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 21 I support the firm of attorneys where my family/friends/business acquaintances practice   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 22 I am loyal to my family/friends/business acquaintances that are attorneys, and will not support their competitors   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 23 I prefer a professional relationship with the firm of attorneys which my business and I use, rather than to make use of a family member or a friend who is an attorney          | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 24 I will use a firm of attorneys that was 'against' me in the past, but who impressed me with their service and/or conduct  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 25 I am with my current firm of attorneys because of the fact that one or more of the attorneys is/are my personal friend(s)   | 7              | 6 | 5 | 4       | 3 | 2        | 1 |
| 26 The attorney of my business is also my personal attorney  | 7              | 6 | 5 | 4       | 3 | 2        | 1 |

|   | Agree strongly |   | Neutral |   |   | Disagree |   |
|---|----------------|---|---------|---|---|----------|---|
| 27 I prefer firms of attorneys which are situated close to where I live   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 28 I prefer firms of attorneys which are situated close to where I work   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 29 Firms of attorneys should be situated within the central business district   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 30 The location of firms of attorneys is a very important factor to me when I have to choose an attorney  | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 31 If I have to choose between two firms of attorneys, I will choose the one that is situated in a 'better' part of the city (e.g. Newton Park <i>versus</i> North End) | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 32 The location of firms of attorneys is definitely an indication of the prestige of the firm   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 33 The location of a firm of attorneys determines the clients of the firm   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 34 The clients of a firm of attorneys determine the location of the firm  | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 35 My personal information and the information of my firm are always treated confidentially by my firm of attorneys   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 36 I am of the opinion that my firm of attorneys is always ethical in their behaviour towards me  | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 37 My firm of attorneys always treats me and my firm professionally   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 38 My firm of attorneys engenders my trust as a result of the manner in which they handle my personal matters   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |
| 39 I am of the opinion that the fees charged by my firm of attorneys are always reasonable and fair   | 7              | 6 | 5       | 4 | 3 | 2        | 1 |