

Value Post 1: What Does Value Mean in Law Firms?

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"Value" is one of the most commonly used buzzwords of the first part of this century. Everyone is talking about it, promoting it, writing about it, offering it, demanding it, trying to measure it and bragging about it. First, let's start with the Merriam-Webster definition of value:

- 1: a fair return or equivalent in goods, services, or money for something exchanged
- 2: the monetary worth of something
- 3: relative worth, utility, or importance

When the economy contracts and goods and services are in greater supply than demand, value takes center stage and the focus tends to be on getting more for less. That is certainly the case now. While in development for years prior to its launch, the Association of Corporate Counsel pushed value to the forefront in 2008 with its launch of the ACC Value Challenge. Fed up with outside lawyer rate increases that ranged from 6-9% every year from 2004-

8, in-house counsel decided they'd had enough.

According to their website, "the [ACC Value Challenge](#) is an initiative to reconnect the value and the cost of legal services. Believing that solutions must come from dialogue and a mutual willingness to change, the ACC Value Challenge is based on the concept that law departments can use management practices that enhance the value of legal service spending; and that law firms can reduce their costs to corporate clients and still maintain strong profitability. The ACC Value Challenge promotes the adoption of management practices that allow all participants to achieve their key objectives."

The association introduced a library of resources, tools and tips to help in-house counsel and law firms alike deliver and achieve greater value. Soon after it launched, the ACC introduced the ACC Value Index. The intent of this client satisfaction measurement tool was to help shape the thinking and dialogue between firms and in-house counsel about what constitutes "good value" in legal services. Using a five-point scale (1=Poor, 5=Excellent), members scored their outside counsel on five criteria:

- Understanding objectives/expectations
- Legal expertise, efficiency/process management
- Responsiveness/communication
- Predictable cost/budgeting skills
- Results delivered/execution

It also posed the important question: would you hire this firm again?

Most of the dialogue that has taken place to date revolves around the pricing and cost side of value. Many firm lawyers bitterly complain that the "value" trend is really just about clients looking to cut their legal costs, demand discounts and diminish partner profits. Of course, it is much more complicated than that. Clients are demanding and getting better prices, that is true. Law firms are learning how to become more efficient and creative, while still maintaining

profitability.

But value is about much more than the price of something. Value is subjective. As noted in [a recent report by The Rain Group](#), a firm could ask 100 clients why they retain the services of the firm, and while the firm might get variation in the responses, the common thread would be: because they provide value. But what do clients mean when they say value? Even "the monetary worth of something" is subjective because what one client believes is worth the cost, another might not. Usually clients describe different aspects of the value they receive from their law firms in a number of ways:

- *They get results and achieve the objectives we establish.*
- *They are trustworthy and reliable.*
- *They treat me like their only client.*
- *They are creative and innovative in their approaches.*
- *They really work at understanding our business and take a commercial approach to our legal matters.*
- *They provide invaluable, institutional history and knowledge because of their long-standing relationship with us.*
- *They go above and beyond what we ask and expect.*

The Rain Group suggests that when everyone agrees on the definition that value is the monetary worth of something, it allows service providers to begin asking the right questions about how to grow revenue from clients. "Why do clients buy from us now? Why are they willing to pay what they pay? What else would they be willing to buy from us and at what price?" Ultimately, "if you want to grow an account, you have to figure out what will increase your monetary worth to them."

With so many lawyers and firms offering relatively similar services to clients, it can be difficult to differentiate. As we have written about before in [In 2013, Will More Firms Finally Understand that Client Feedback = Better Revenue and Profitability?](#) and [Client Feedback: 10 Steps to Determine Where Your Firm Fits on the Satisfaction and Loyalty Curve](#), getting feedback from clients to understand what they value about your firm and about the other firms they use is a fundamental first step. And remember that while there will be similarities, each client defines value differently and also may define the value they receive from your firm differently than value they receive from other firms.

In order to ensure a top notch, differentiating client experience, firms need to tackle all aspects of how they deliver services and manage their relationship with clients. Law firms that strive to deliver value to their clients typically focus on ten core components:

1. Client teams and strategic account management
2. Commercial, industry and market knowledge
3. Project and matter management
4. Knowledge management and collaboration
5. Budgeting transparency and value pricing
6. Staffing and alliances and efficiency
7. Technology-assisted processes
8. Client feedback and process improvement
9. Training and development, including training lawyers in financial and commercial aspects of clients
10. The client service experience including service standards/protocols and value-added benefits

One firm that has devoted resources to a well-thought out value initiative is Squire Sanders with its [Partnering for Worldwide Value](#) which was launched shortly after the ACC Value Challenge. This firm does much more than post a nice graphic on its web site. It actually has a dedicated team of partners and business professionals working through the six components of its client-centric value initiative in an effort to continually enhance its value to clients.

Value can be a key differentiator. It is essential in this competitive market to understand whether and what clients perceive in the value you provide and how that is distinct from other firms. Once you understand your strengths and weaknesses in value creation, you will be better armed to improve your value proposition. In our next two posts, we will further explore value, including how to co-create value with clients.

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