



I. Deliver the Highest-Value Hour

A. Abstract

In an age when law firms compete ever more heavily for clients and for engagements from their clients, the factors that win and keep work include much more than price. Some factors lend themselves to measurement; others don't. Matching the possibility and practicability of measurement with the interests of clients helps identify metrics worth pursuing. Team thinking, in the mode and character of legal design thinking, helped ALT participants identify and evaluate metrics for value in legal services, while keeping a focus on important business factors less susceptible to measurement.

B. The Presenters' Thesis

The presenters, Brian Fanning and Sam Davenport of Davis Wright Tremaine, sought to introduce and discuss these questions:

- How does price relate to value?
- What metrics measure value?
- What metrics should your firm focus on?

The presenters organized their suggested value metrics in four substantive groups

| | | | |
|---------------|--|---|--|
| Profitability | <ul style="list-style-type: none"> • Trust | <ul style="list-style-type: none"> • Project cycle time | <ul style="list-style-type: none"> • Add-ons (CLEs, consulting) |
| Realization | <ul style="list-style-type: none"> • Expertise | <ul style="list-style-type: none"> • Predictability | <ul style="list-style-type: none"> • Process improvement |
| Leverage | <ul style="list-style-type: none"> • Responsiveness | <ul style="list-style-type: none"> • Industry knowledge | <ul style="list-style-type: none"> • Net promoter score |
| Price | <ul style="list-style-type: none"> • Ability to understand and achieve business metrics | <ul style="list-style-type: none"> • Relationship friction (billing, access, etc.) | <ul style="list-style-type: none"> • Efficiency |

The presenters' comments on these value factors are instructive:

Trust

Often this is more important than price in a legal purchasing decision. When it is present, it overcomes concerns about several of the other metrics. But, overweighting trust may lead to a suboptimal purchasing decision, particularly for work that isn't highly sophisticated.

Legal Expertise

For most work, multiple firms will offer expertise, but for rare occasions when unique expertise is called for, client price sensitivity will often decrease (or the market price will reflect the rarity of the expertise).

Responsiveness

Contrast a lawyer who responds within 24 hours to a lawyer who responds on the same day to a lawyer who provides a cell number and responds to text messages. The important factor is that internal clients are often managing up and need answers quickly. Also, there are legal consequences to missing deadlines.

Ability to Understand and Achieve Business Metrics

We often find a disconnect between the best legal solution and the best business solution. If lawyers spend time focused on legal objectives, they may not achieve business objectives or may not achieve them optimally. Examples include writing long memos instead of three-bullet answers or providing analysis instead of recommendations.

Project Cycle Time

Corporate legal departments should facilitate business processes and objectives. In a high-volume environment where delays have significant business impacts, e.g., contract negotiations, the most valuable law firm may be the one that simply gets a large amount of work done on time.

Predictability

Legal departments no longer have unlimited budgets. They are cost centers and subject to the same cost pressures as other corporate cost centers. So, managing to a budget is critical. If a significant portion of spend is on outside counsel, that spend must be predictable. If it isn't, suboptimal decisions may be forced upon the business (e.g., settling more cases early).

Industry Knowledge

Valuable law firms anticipate where legal issues will develop for their clients rather than just reacting to the issues. A simple example is client alerts.

Process Improvement

Legal departments are often not in a great position to lead process improvements across all their law firms. So, firms that proactively engage in upgrading their service delivery model will stand out.

Net Promoter Score

Hiring the wrong lawyer can be extremely costly. A referral from a colleague or aggregation of peers can lower this risk, and a lawyer with a high NPS can more credibly market his or her services.

Efficiency

The lawyers with the highest rates often justify those rates by suggesting that they are more efficient than lawyers with lower rates. If true, then efficiency has some value for clients. Also, efficient management of teams of lawyers can generate significant value for clients by delivering results at a lower cost than would have otherwise been the case.

C. Highlights

Working as teams at several tables at ALT, the participants rated value factors for two dimensions – the **ability to measure (M)** the factor as an aspect of law practice performance or delivery and the **impact of the factor (I)** to clients. There are two aspects to the ability to measure – the ability to quantify the measurement and the accessibility of the data from which the measurement can be made.

The brainstorming session was brief (10 minutes) and active. The results reported below should not be considered as a definitive assessment of these factors. Even if the assignments were unvalidated first guesses, they serve as a demonstration of how such an analysis can begin and a spur to carry out a more detailed and thorough analysis with lawyers and clients in a law practice.

The assessment placed factors in one quadrant of the chart in Table 1. Value factors with a high impact were placed to the right of the chart. Value factors easier to measure were placed at the top of the chart.

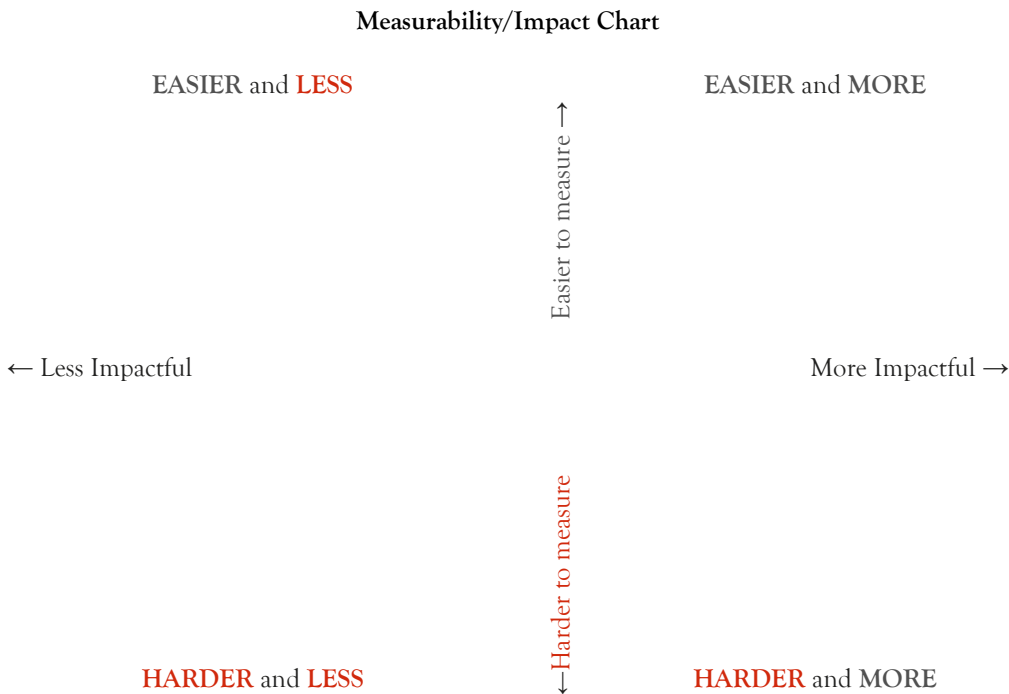


Table 1. Measurability/Impact.

D. Key Insights

Participants were asked to address these questions that relate clients’ interest in value metrics and a law firm’s ability to measure the factors.

- What metrics do you think your clients use to measure the value their law firms deliver?
- What metrics do you think your clients want to use to measure the value their law firms deliver?
- For each metric, assess your clients’ level of interest (I) in the metric and your ability to measure and access the metric (M).

Most of the value factors discussed or rated were considered to have a high impact, while a handful were not. Factors were split evenly among those easy to measure and those difficult to measure. Patterns emerged from the assignments made by the several groups.

1. Easier (to Measure) and Less (Impact)

The only items that fell clearly into the upper-left quadrant – relatively easy to measure but having a low impact on clients – were **location** and **geographical reach**.

2. Harder (to Measure) and Less (Impact)

Factors in this lower-left quadrant, relatively difficult to measure, but not viewed as having a significant impact on clients, included:

- **creativity**
- **social responsibility**
- **community involvement**
- **cycle time**
- **long-term relationships**

An implication of this analysis is that all the factors in these two quadrants deserve less emphasis in a value analysis, regardless of the ease or difficulty of measurement.

3. Easier (to Measure) and Medium (Impact)

These factors fall in the upper middle of the quadrants. They included:

- **global reach**
- **project management**
- **staffing optimization**
- **technology competence**
- **run rate**
- **efficiency** (though the last was rated somewhat more difficult to measure)

4. Easier (to Measure) and More (Impact)

These factors fall in the upper right of the quadrants. They are both accessible as metrics for value and were assigned a high impact – importance from a client viewpoint. The most frequently recorded factors in this segment included:

- **diversity**
- **outcomes/success rate/win-loss rate**
- **cost/budget/on budget**
- **cost to milestone**
- **reputation**
- **expertise**
- **security/cybersecurity**

Other factors, mostly mentioned only once, included:

- **knowledge transfer**
- **predictability**
- **timeliness**
- **compliance (OCG, diversity audits)**
- **project management**

5. Harder (to Measure) and More (Impact)

Though considered of higher impact to clients, these factors are considered difficult to measure and so harder to include as metrics.

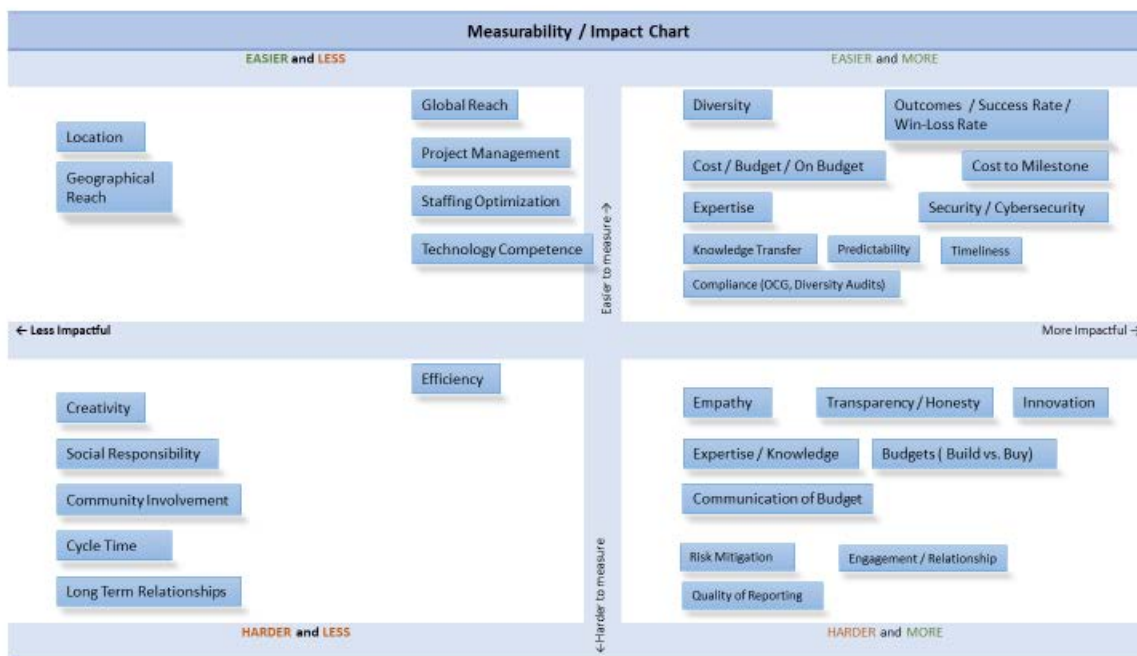
Factors in this lower-right quadrant mentioned several times included:

- empathy
- transparency/honesty
- predictability
- innovation
- expertise/knowledge
- budgets (build vs. buy)
- communication (of budget)

Other factors mentioned less frequently included:

- risk mitigation
- engagement/relationship
- quality of reporting
- work product quality

This chart presents these results graphically:



E. Actions and Opportunities

The presentation and work session demonstrated how a group representative of a range of perspectives could brainstorm an analysis of value of legal work, measurable and not. The identification and assignments of factors in the measurement/impact matrix are necessarily preliminary. They suggest how value metrics and value factors not readily measured can be exposed and considered. Using such a framework and process can help each law practice in working with clients and evaluating experience and opportunities.

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