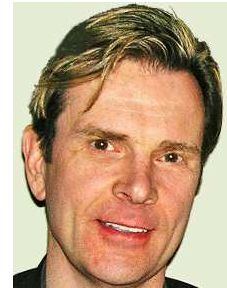


## Drinker Biddle Prospers after Adopting the ACC Value Challenge

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Marketing 101 states that to get new business, you research what your customers want, and then you sell it to them. In contrast, most of the legal profession has infuriated its clients with high rates, is yoked to an antiquated method of charging by the hour, and maintains a hidebound resistance to changing its business model.

How is this working? For starters, clients started an organized revolt in 2008 with the Association of Corporate Counsel's [ACC Value Challenge](#). And 12,196 people were laid off by major firms in 2009, of which 4,633 were lawyers and 7,563 were staff. because there isn't enough work to support them (Source: Lawshucks.com.)

### The tipping point is here

We are at the tipping point, and the sole law firm leading the way into the future is Drinker Biddle & Reath LLP, a national law firm with nearly 700 lawyers in 12 offices representing mid-sized enterprises to Fortune 50 companies in the pharmaceuticals, communications, healthcare, information technology, insurance, investment and transportation industries.

Drinker Biddle is the only major law firm to fully embrace the ACC Value Challenge. It studied what clients *stated in writing* what they wanted, gave it to them, and generated lots of new business. "The fruits of our labor are bearing fruit in six months instead of three years," said Director of Business Development Kristin Sudholz, based in the Chicago office. In terms of new business, "we've been hitting it out of the park. The firm is very pleased."

It began when Chief Marketing Partner Gregg Melinson of Philadelphia and Executive Partner Andrew Kassner of Wilmington, DE, attended a meeting with ACC leaders about the Value Challenge, and were convinced. Ever since then Sudholz has been working around the clock to implement the firm's plan, which has at least six elements:

1. Offering alternative fees not based on the billable hour.
2. Abandoning lockstep pay for associates, and instead cutting their salaries and putting them through a six-month apprenticeship program.
3. Offering technology that clients actually *want*, such as free centralized extranets for all the law firms working on a matter.

4. Adopting the goal of pursuing the 17 activities identified by BTI Consulting that drive law firm success.
5. Bringing in-house counsel into the law firm, and listening to them.
6. Creating a Law Firm Advisory Committee composed of several law firms that support Drinker’s philosophy.

"To me, the fundamental that makes this work is the rebuilding of relationships of trust," Melinson told the ABA Journal.

Under a traditional billable-hours structure, there's "just a fundamental misalignment of interests as the law firm potentially benefits, at least in the short run, from spending more time on a case rather than handling it in most effective manner for the client. Now, however, the firm is working in partnership with clients to achieve mutually beneficial goals," he said.

In my opinion the ACC Value challenge is stated in aggressive terms that read like meddling by corporate bigwigs. So Sudholz climbed on airplanes to sell the idea firm wide. She put together a PowerPoint program to explain how the Value Challenge could work for the firm, and visited partner meetings in San Francisco, Chicago, Washington, D.C., Philadelphia, Florham Park and Princeton. She videotaped the presentation and placed it on the firm’s internal portal for all others to see.

“Beauty is in the eye of the beholder,” she said. “General counsel determine what ‘value’ is to them.” Key points of her presentation were:

- Understand the client’s business.
- Be responsive and communicate in the client’s preferred medium – telephone, email or in-person.
- Staff a matter and manage it cost-efficiently so that the client gets the business result it wants.
- Offer fees not based on the billable hour.

### BTI’s 17 Activities to Drive Law Firm Success

1. Client focus.
2. Commitment to help by suggesting strategies and demonstrating interest.
3. Understanding the client’s business.
4. Providing value for the dollar – showing money and time saved.
5. Breadth of services.
6. Advise on business issues.
7. Regional reputation.
8. Unprompted Communication
9. Bringing together national resources.
10. Keeping clients informed.
11. Show skill in legal expertise, experience and outcomes.
12. Quality work, show attention to detail.
13. Ability to deal with unexpected changes.
14. Handling problems quickly and effectively.
15. Meeting client-imposed scope of work and deadlines.
16. Anticipating client needs.
17. Having international capabilities.

- Follow BTI's 17 activities to drive law firm success, as outlined in [The Survey of Client Service Performance for Law Firms: The BTI Client Service A-Team 2009](#)

### Alternative fees

Alternative fees are the bugaboo of law firm economics. Research by [ACC/Serengeti](#) and by [Incisive Legal Intelligence](#) show that the billable hour is firmly entrenched – not just by law firms, but by corporate clients as well. The research shows that clients may rattle their sabers about alternative fees, but they ultimately are satisfied with a discount on hourly fees.

Nevertheless, Sudholz pressed ahead and created a half-inch thick handbook of alternative billing arrangements to educate the partners. The reference contains every alternative fee arrangement the firm has entered into, how it was constructed, and the contact information of a partner to call about it. This had the effect of not only creating a precedent, but providing instructions for partners to follow.

The handbook is proprietary, but according to Incisive, the most common alternative fee arrangements are, in order, contingency fees, fixed or flat fees, blended hourly rates, hybrid fees, retainer arrangement, capped total fee and capped hourly rates. Once the handbook is finalized, it will be available on the firm's internal portal.

### First-year apprenticeship program

Drinker will welcome first-year associates by cutting their pay to \$105,000 – but giving them no billable hour requirement. New lawyers enroll in a six-month training program to make them more valuable to clients, by observing partners in their daily interaction with clients, adversaries and the courts.

The new training program that will provide courses on taking depositions, writing briefs and meeting client needs. The instructors will include Drinker attorneys, professional development staff and firm clients. The associates may handle some client work, but at significantly reduced rates.

"In the spring of 2010 -- once our new lawyers have been with us for at least six months -- we expect to bring their compensation in line with then prevalent market rates for first-year lawyers. In this way, we intend to address the often-repeated criticism that we are training our lawyers at our clients' expense while at the same time ensuring that our overall compensation system for associates is logical, consistent and fair," a [firmwide memo](#) stated in May 2009.

### Technology clients want

Rather than make clients check half a dozen extranets of different law firms to check on the status of their matters, Drinker expanded its client extranets – *for free* – and created a central location where a client could check the work of multiple law firms.

In the article "[Tech Tip: What Matters...Offering Technology that Clients Want](#)," I wrote, "To get and keep clients, a lawyer must offer some very different, even unglamorous technology like e-billing, software that allows online collaboration and methods to share information. None of this is the sexy 'Web 2.0' technology that pundits like to write about. Clients want basic, practical tech applications that make doing business with you easier."

Examples include electronic billing presentment and payment; extranets and online collaboration tools; free client CLE via web seminars; online surveys to get instant feedback on firm webinars, in-person events and newsletters; short podcasts as client alerts; and CRM (client relationship management) software that makes it easy for lawyers to develop relationships with personnel at all levels of a client corporation.

### **Bringing in-house counsel to the firm**

Sudholz said that Drinker is bringing in corporate general counsel at different offices in a casual format to talk about what's happening at their businesses, to describe the legal needs they have and to answer questions.

This is a variation of a technique called "reverse seminars." At a typical law firm seminar, partners take the podium and lecture about the law. In a reverse seminar, an executive from a client visits the firm and talks about his company and the challenges it faces, to an audience of partners and associates. It is an excellent method to deepen a client relationship and generate new files.

### **A pro-client conspiracy of law firms**

Drinker also formed a Law Firm Advisory Committee. "We have conference calls and meetings with other managing partners, strategy partners and client service partners to discuss client service," Sudholz said. "I wanted to send a message that people who are on this committee will share in an unprecedented way – to walk the walk and talk the talk – all in the client's interest."

So far the committee includes Seyfarth, Orrick, Thompson Hine, Bryan Cave, Goulston & Storrs, the Axiom law firm, Strasburger & Price and McKenna Long & Aldridge.

### **ACC is impressed**

"I'm hearing from lots and lots of GCs who are very impressed with what Drinker Biddle is doing," said Michael Roster, the chair of the ACC Value Challenge Steering Committee, to the *Daily Journal*. "They hope to see similar actions by other major firms."

Roster said he has not heard of any other firms adopting Drinker Biddle's model, but he hopes they will follow. Howrey, based in Washington, D.C., recently announced plans for a similar program. He said many general counsel believe they, along with the law firms, bear the costs of training young firm attorneys, 85 percent of whom leave big-firm life by their sixth year.

"It's stunning how angry [in house counsel] are and how much they want something different from law firms," Roster said.