

## ***The Search for Value - Focus on Client Profitability First***

The idea for this post was inspired by Ron Baker of [Verasage Institute](#). After checking out some of his writings in recent months, I stumbled across one of his key concepts in the search for value. The definition of value is contained in this formula:

**Value = Customer Profit – Price**

I modified Ron's formula slightly to illustrate the point of this post. What this formula means is that the value you provide to your client *equals* the increase in customer profit resulting from your legal work and value added services *minus* the price you're charging for your legal work.

With all the fuss over alternative billing lately, many have been talking about the need to cut costs and run lean operations in order to make money in the face of decreasing prices for legal work.

However, the drive to cut costs to match dropping prices for your work is in the end, I believe, a losing game. There will always be someone who will undercut you on price, and there is no upside in this game.

*Instead, you want to be the value leader, not the low-cost leader in today's competitive legal environment.* If you can achieve that, you will increase profits dramatically for both your client and your firm.

However, as the formula above indicates, *the key is to focus on increasing your client's profits first when adding value.* If you do, and you can demonstrate the impact this value has on your client's bottom line, you will remove the pressure on price, thereby increasing your own profitability.

This is a complete rethink of the normal law firm approach to focus on their own profits first. But if you think it through, you'll realize that your efforts are best spent on increasing client profits first, as your profits will follow in due course, and dramatically so if you do it right.

### ***How can you increase value?***

First, talk to your clients to see what issues are keeping them up at night. Ask them to explain their strategic vision and how you can help them achieve it. There's six key areas to focus on, as listed in the Law Firm Value Committee's "[51 Practical Ways For Law Firms to Add Value](#)" list on the [ACC Value Challenge](#) website, which is an excellent place to start in the search for value.

### ***Some of the highlights for adding value include:***

- Assign professional project managers to manage large-scale engagements and teams.
- Institute a discipline such as "Lean" Six Sigma to monitor efficiencies in all areas of work.

- Create partner roles focused on driving change and enhancing the value and efficiency of client service.
- Publish your network of “known” counsel in other jurisdictions and share it with top clients.
- Ask clients to share their own strategic visions, so the firm can properly plan, invest, staff, etc. to meet the future needs of its clients.
- Connect clients to other clients and entities in the firm’s network (at no charge).
- Engage a third-party consultant to conduct in-depth client satisfaction surveys.
- Assign a mid-level associate to work part-time at the client’s office for no charge.
- Request periodic access to meetings with the client’s business people to better understand the client’s business.
- Assign each of the firm’s summer clerks to work in the client’s law department for a week or two at no charge to the client.
- Create client service teams of lawyers and staff who serve that client and meet quarterly or monthly to discuss the client’s business, current and potential matters, changes at the client, trends in the client’s industry, etc.
- Commit to clear and transparent fee structures by showing the client what tasks are required at each step in the process of the matter, the timekeeper who will perform those tasks and the allotted time for each.
- Engage clients in the training process and invite them to make presentations and have dialogue with associates about the in-house/outside counsel relationship.
- Create a training program where associates work at the client’s facility to learn the in-house perspective.
- Develop a client dashboard that includes metrics, in addition to a 360-degree view of all matters.
- Use e-billing systems to track performance against metrics.
- Set up an extranet for on-line training that is available to both the firm and the firm’s clients.

Admittedly, this is a big firm perspective on in-house counsel’s perception of value, as the Law Firm Value Committee is comprised mainly of large US law firm lawyers. However, there are many good ideas here for small and midsize firms as well.

From the small and midsize law firm perspective, there is much you can do to add value. One of the most effective ways to add value is to refer your contacts and their business to your clients to add to their top line. Some of the most successful lawyers I know do that regularly, and their clients rarely question them on the price of their legal services. As the value you provide to the client increases, the less important price becomes. The only thing that matters is the net benefit of your value minus the cost of your legal services. This value will translate into client profits at some point, and that's what the client really wants from your relationship.

It doesn't have to be a short-term profit add, either. The client is as interested in a long-term, strategic partnership as you are. In fact, the more you are around on a flat fee or portfolio billing basis, the more comfortable the client will be in calling you and getting your advice on their next big litigation file or acquisition. You want to be available when the client calls you, before he or she calls your competitor. So the closer you can get to the client and provide value added services like those listed above, the more likely your share of the client's legal business will grow over time. And that's the ultimate goal for most law firms, as your profits will ultimately grow with your clients.

**Colin I. Cameron, CA**

President | Profits for Partners, Management Consulting Inc.

Ph | [604.512.8104](tel:604.512.8104)

[colin@profitsforpartners.com](mailto:colin@profitsforpartners.com)

Website [www.profitsforpartners.com](http://www.profitsforpartners.com)

Blog [www.lawprofitability.com](http://www.lawprofitability.com)