

## CRACKING THE CODE TO CLIENT VALUE MANAGEMENT IN A POST-DISRUPTION INDUSTRY

A look at how firms need to respond to the change in what clients value.

By Keith Lipman

The question isn't "when" will disruption hit the legal industry as per the headline of a recent American Lawyer article. Disruption already is in the rearview mirror. It happened. Let's stop accelerating our wheels on the ice in wonderment that we aren't moving forward.

We know the nature of the disruption that's already taken place. Buyers (i.e. clients) have changed what they value. Firms now need to respond to this change in value.

Of course, there are a few obstacles to firms' timely response. Partners haven't necessarily felt the pressure of price erosion on profitability...yet (see article). For the past decade, firms have trimmed enough fat and shuffled enough non-equity partner changes to stave off the hit to profitability per partner (PPP). These tactics are finite, and soon—if not now—another wave will hit and firms will be forced to show their cards.

What was previously valued by buyers was simply the delivery of quality matters. Now clients value the delivery of quality matters—at the expected price. The insertion of price expectations and budgets has upended the business model of an entire industry. This is the case for several reasons, but primarily this fundamental one: firms never actually had to know the true cost of delivery for their services, thus now complicating the transition to delivering work to budget.

To some extent, then, law firms will need to re-engineer their business models, taking a data first approach to understanding costs; this, in turn, can drive a more integrated approach to sales and delivery as well as an ability to leverage expertise and measure results. They'll need to pull together and better integrate their silos of information, integrate business processes and put in place enterprise controls to



ensure matters are priced and delivered within the firm's expectation for profitability – regardless of fee arrangement type. It means ensuring the firm is selling, delivering, leveraging results, and measuring performance in an constant continuum of interlinked processes. This, in essence, is client value management.

### A Mature Solution

About a decade ago, after the first major shift in the market, firms devised ad-hoc processes and manual steps. These initial changes were targeted at departments that either built or purchased some siloed technology to empower and improve its own processes. The thinking hadn't yet matured to understanding the interconnected nature of a law firm's data and the value of leveraging it together. Unsurprisingly, over time, these first and even second-generation solutions revealed their flaws as they proved an impediment to making the best use of the firm information and created inefficiencies in firm operations.

The market has matured; we now understand we're in a post-disruption world. It's clear that firms can achieve far greater benefit by aggregating data and integrating processes. A modern solution would bring

synergy from integrating the core business processes. Client demands have become widespread and pervasive. Firms today are seeking a better solution for client value management, something capable of unifying these now interdependent business processes which will help them meet client expectations.

## Defining “Sell, Deliver, Leverage, Measure”

In essence, the re-engineered law firm’s core business processes fit into four primary categories: sell, deliver, leverage, and measure. It’s from these four core business processes that new subsets of processes flow. The integration of these four core processes and their subsets ensures the firm can deliver matters at a reasonable profit and to the budget agreed by the client. Here’s what’s captured within each of the four core components:

- The “Sell” piece of this model combines opportunity management, scoping, pricing, building relationships, pitching, and risk management. Processes will differ for new clients, renewing relationships with existing clients, bringing on new matters or an ongoing matter into a particular practice area, and cross-selling to a different practice area.
- “Deliver” is the actual provision of legal services. This encompasses the traditional concerns of staffing, locating knowledge resources, monitoring for scope and inefficiency, and billing. What’s new is the importance of monitoring that provision of service – and the expanded detail and access to relevant data that facilitate it. This is where partners can expand their skill sets.
- “Leverage” describes a firm’s ability to efficiently and successfully turn prior experience, expertise, and knowledge into a selling point. The current competitive market means firms must capture and quantify their experience as each matter reaches an outcome to make selling more effective, increase predictive abilities, and expand understanding of ongoing and new matters.
- “Measure” ties this continuous process together and assesses detailed criteria for success.

The goal for law firms, as with any business, is to deliver services at a profit; thus, the year-end figure will retain its importance. However, firms that successfully implement the “Sell-Deliver-Leverage & Measure” process model vastly expand the range of measurable key performance indicators (KPIs) by which to evaluate the contribution – or lack thereof – that a matter makes to their profits.

One of the more forward-thinking benefits of sell-deliver-leverage-measure is that it creates an opportunity to build a more appropriate compensation system – one that better measures partner performance against finding new clients, retaining existing clients, cross-selling or proliferating work from existing clients across departments, delivering improved matter profitability, and being an effective worker. This is the holy grail of process reengineering.



*Keith Lipman is the CEO and co-Founder of Prosperware, a known thought leader regarding the transformation of the practice of law, and frequent speaker and author on this topic. Keith is one of the founding board members of the Standards Advancement of the Legal Industry (SALI) and has served in a number of professional capacities including paralegal, lawyer, IT director and technology consultant to law firms. Keith earned his BA, JD, and MBA from Temple University.*