Among lawyers, “value” engenders one of a couple of responses. The word leaves many lawyers, both in-house and outside, puzzled. This probably is due in large part to the vagueness of a word that describes an intangible quality of an intangible service. For many others, particularly lawyers in law firms who represent corporate clients, the word causes concern because many of them believe that “when legal clients say they want ‘greater value,’ it is nothing more than a request to pay less.”

Although in-house lawyers frequently do bemoan the cost of legal service and express a desire to lower it, for many of them the definition of value does not revolve solely around the bottom-line, out-of-pocket cost of the service. Instead, their complaint relates to the nebulous, one-dimensional, and apparently random relationship between the cost of legal service and the benefit that the client realizes from that service when the fee consists of the amount of time devoted to the assignment multiplied by one or more hourly rates. Despite the prevalence of time-based billing, all too often the cost of the service seems to bear no discernible relationship to whether and how that service assists the client to achieve its business objectives in connection with which the lawyer or firm was retained. The client’s business objectives do not seem to relate to or directly affect the fee. Whether spending too much to defend a slip-and-fall case, watching the costs of research mount in a litigated matter, or experiencing seemingly endless document production, corporate clients believe that their lawyers operate in isolation from the business’s goals with little regard to whether the cost of the legal service represents too large a portion of the costs of the business project or whether the law-related costs are justifiable in relation to the business benefit realized.

1 Throughout this book, references to “client” or “clients” will signify business entities, especially those that have in-house law departments.

That disconnect between the legal service (and its cost) and the client’s business goals has another effect that strikes clients as counterproductive. The lawyers can all too easily lose sight of those goals and their contribution to achieving those goals. Or, conversely, they fail to do so in a cost-effective fashion.

The yearning among the in-house community for “value,” then, comes down to a desire that the cost of legal service bear a reasonable, identifiable relation to the benefit that the service bestows on the corporate client. Many in-house lawyers have expressed the view that they would gladly pay more for a service so long as that service leads to a demonstrable benefit sufficiently greater than that cost.

“Value,” then, stands as a significant hurdle to improved relationships between firms and their clients. Without a common understanding of that term—or, at least, a consistent approach to or framework within which to discuss it—firms and their clients will find it difficult to surmount that hurdle.

Interestingly, the managing partners of many law firms recognize the challenge. The changing perspectives of in-house attorneys regarding the value of legal service, and the increasing pressure on those attorneys to deliver and manage higher-value service, figure prominently in many firms’ views of the challenges to the business model to which their firms adhere. Although they recognize the need to address clients’ pressure for more value, law firms have achieved “precious little [progress] in reaching a consensus on exactly what the word ‘value’ means.”

Though more than half of the respondents to a recent survey of managing and senior attorneys and executives of law firms reported that clients are putting moderate or high pressure on firms to change their service model and even more report that the pace of change is increasing, the firms exhibit little seriousness about changing that model. This also came through from in-depth interviews with managing partners, senior partners, and executives from 50 of the top 200 law firms: “[A]s legal competition has intensified, the pace of change has accelerated.” Unfortunately, “[e]veryone knows that lawyers move slowly.” Consequently, “[f]irms need to move faster” in that regard than they have been.

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3 Id. at 6.
4 Id. at 25.
6 Hassett, supra note 2, at 189.
7 Id. at 188, 192.
That dichotomy portends considerable difficulty for law firms as a group, though some undoubtedly will recognize the imperative and change to a greater or lesser degree. This probably will lead to a considerable shakeout among the firms, or at least to an increasing gap between the better and the worse performers among them. (Whether the changes that some firms might adopt will suffice, of course, may require a second book at some time.)

Clients’ views of law firms mirror those results. Corporate law departments express similar confusion regarding value. In-house law department operations personnel agreed by a ratio of 7 to 3 that “measuring the value of legal service is more art than science.” In a recent survey of chief legal officers, when answering the question of how much pressure companies are exerting on law firms to “change the value proposition in legal service delivery,” the median response was 6 on a scale from 1 to 10, but when the respondents answered the question as to whether law firms are “serious about changing their legal service delivery model,” the median response was 3 on that same scale. Those in-house personnel overwhelmingly agree (i.e., 81.3 percent of the respondents) that corporate law departments will be the drivers of innovation in the legal profession.

The focus among in-house attorneys on value, the changes already underway in the profession (along with those unexpected but undoubtedly to come soon), and
the economic pressures on corporate law departments and law firms combine to demand a new approach to how firms service those clients. Unfortunately, due to the lack of any clear, agreed-upon approach to the questions we just posed, little progress has occurred. The profession needs a new paradigm.

This book contains a new approach to analyzing and discussing the issues related to defining, measuring, and implementing higher-value legal service. In the course of the following chapters, we lay out a framework—based on the concept of value-related qualities, or VRQs—that law firms can use to reorient their service so that the client’s interest and goals—*as defined by that client*—serve as the lodestar of the firm’s service and effort.

This framework can do so in several respects that should interest law firms particularly. VRQs can provide outside lawyers with (i) the means of engaging clients in more granular discussions of their expectations vis-à-vis the legal service and the firms’ roles in delivering that service, (ii) a protocol for designing fee arrangements that address clients’ value-related concerns over fees and time-based fee arrangements, and (iii) a tool with which to synchronize the all-too-often inconsistent or disconnected aspects of law firm operations that relate to client service and satisfaction. The end result should be legal service targeted toward client-defined VRQs. This, in turn, should lead, ultimately, to more satisfied clients.

The interviews of managing partners and other law firm leaders summarized by Jim Hassett led him to conclude that the “two most critical [of issues relating to project management] were defining scope and communicating with clients.” VRQs can serve a central role in addressing both of those issues by enabling outside counsel to address issues related to value collaboratively with clients using better-defined, actionable terms.

As for fee arrangements not tied to time-based billing, the use of VRQs, we submit, can enable firms and clients to create together a system that is more reflective of clients’ needs and value-related imperatives. This would be a system in which

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12 A survey of chief legal officers (CLOs) at companies reflected the inertia within the profession. “The survey asked CLOs how serious they believe law firms are about changing their service delivery model. On a scale of 0 (not at all serious) to 10 (doing everything they can), the median rating of law firm seriousness was only a ‘3.’” *2015 Chief Legal Officer Survey, supra note 10*, at iv. Law firms consistently rate themselves on that scale more favorably than do the clients, awarding themselves a 5 on that question as opposed to the 3 awarded them by companies. See Seeger & Clay, *supra* note 5, at 14. That law firms self-grade more favorably than clients grade them has been the case for years. See Steven Lauer, *Maybe Humpty Dumpty Was a Lawyer*, L. DEP’T MGMT. ADVISER 5 (Part II: How Do Lawyers Work Together?) (Dec. 1, 2001).

13 Hassett, *supra* note 2, at 182.
pricing is not “a zero-sum game in which every dollar gained by one party is lost by the other.”

We believe that by using this VRQ concept when addressing clients’ expectations of greater value and greater pricing and fee predictability “value” will become less an “art” and more an exact science (if still containing less precision than desired). Moreover, the discussions should lead to greater consistency surrounding the qualities of value that matter to clients. This, in turn, should enable in-house and outside lawyers to more quickly and easily reach an understanding as to these issues that serves both parties.

The key to long-term success in the legal profession revolves around “client centricity.” “Success and maybe survival depend on changing long-time patterns of behavior [in law firms] so that lawyers get better at meeting client [sic] needs.”

The more client centric a firm is and is understood to be, the more successful it likely will be in attracting and retaining clients. The more client centricity animates all aspects of a firm’s processes and service, then, the more its service will resonate with, attract, and bind clients to it.

Based on our experience and research and the ongoing dialogues within the profession, we believe that client centricity will be recognized more and more as the key to success for law firms, and that value lies at its heart. VRQs, as we explain in this book, allow for and enable a much more concrete and useful dialogue between firms and clients about value, and they also can support many of the means by which value and the discussion can be put into effect by firms and clients collaboratively.

Thus, firms that are interested in being counted as members of the more successful cohort that follows the likely shakeout mentioned earlier should prepare themselves by attending assiduously to clients’ value-related perspectives. Clients deserve much more than just lip service to their value-related perspectives; their preferences and expectations must serve as firms’ guiding lights for those firms to succeed. Following the approach laid out in the following chapters will enable firms to do so in a programmatic, pragmatic fashion that is likely to increase their chances of appearing (or remaining) in that successful cohort.

We believe (and suggest) that incorporating clients’ wishes and expectations in respect of how outside counsel perform and deliver legal service that meets those clients’ needs—using VRQs as the basis for the client–lawyer dialogue and for

14  Id. at 157.
15  See the discussion of “client centricity” by a consultant to professional service firms like law firms posted at http://davidmaister.com/what-does-client-centricity-really-mean/.
16  HASSELT, supra note 2, at 39.
the design of fee arrangements, client feedback, and other processes and mechanisms—will go a long way toward integrating clients’ needs and wants into the service and its delivery. This book contains a roadmap of how to do so.

That value is a nebulous concept for lawyers and that it provides little guidance seems beyond question. VRQs, however, can provide a greater degree of precision to the effort to measure and increase the value of legal service. This, in turn, can benefit clients and outside attorneys alike. VRQs thus represent a useful, value-focused approach to an issue that greatly vexes the legal profession.