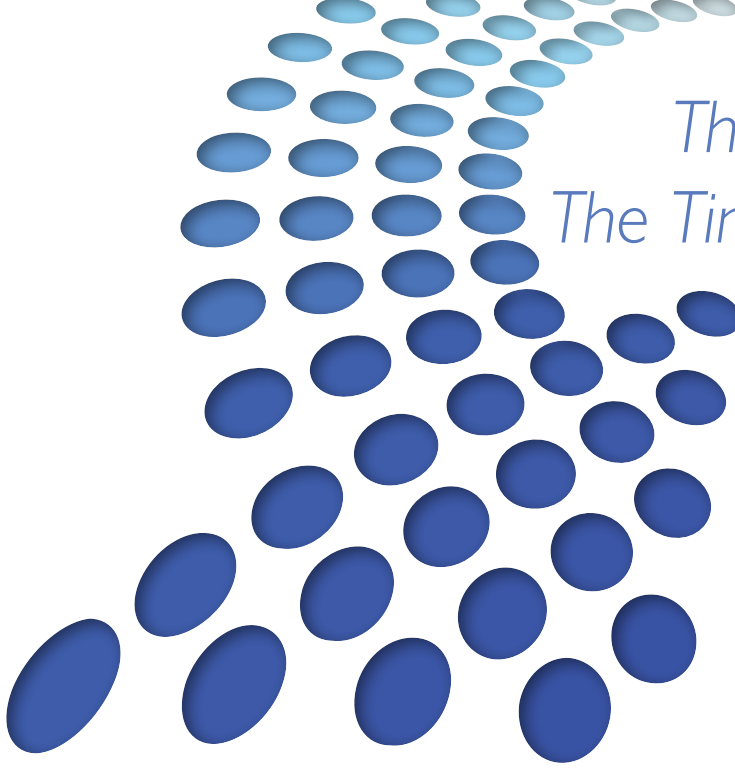




The ACC VALUE Challenge

Re-Connecting Legal
Costs to Their Value



*The System Is Broken
The Time For Change Is Now*

ACC: The in-house bar association, committed to providing the corporate counsel community with a voice on issues that matter.

VALUE: Returning a desired outcome in a matter which corresponds to its appropriate cost and worth.

CHALLENGE: Create a constructive dialog and practical resources that help lawyers better align legal costs with client objectives and the value of the services provided.

A Dialog Is Needed Alignment Is Imperative THE ACC VALUE CHALLENGE IS HERE

The ACC Value Challenge

We believe that many traditional law firm business models and approaches to lawyer training and cost management do not deliver what clients want and need: high-quality legal services that deliver solutions at a reasonable cost. Law firms must find a bridge over the chasm that now exists between optimizing profits per partner and delivering legal services at a cost that reflects their value to the client.

Legal departments must better manage their inside and outside legal spend—with a focus on results and value. And they need to reward firms that live up to their challenges with profitable, long-term relationships.

The Association of Corporate Counsel (ACC), supported by general counsel and managing partners from leading corporations and law firms, understands the imperative to find a solution and the need for us all to join together and be more responsible for better serving our clients.

The *ACC Value Challenge* will reconnect value and costs for legal services by:

- Promoting a dialog in the legal profession (corporate counsel, law firms, law schools and others) to drive alignment and focus on value;
- Developing practices and metrics that corporate counsel can use to assess the strengths and weaknesses of law firm vendors;
- Creating tools that in-house counsel and firms can share to drive change in the performance of value-based legal services; and
- Enhancing awareness and sharing success stories.

Desired Outputs and Outcomes

By working together, in-house counsel and law firm attorneys can create change clients want, attain better results, build the sustainable relationships law firms need to profit, and ensure the management improvements corporate counsel are responsible for implementing. The ACC Value Challenge will create:

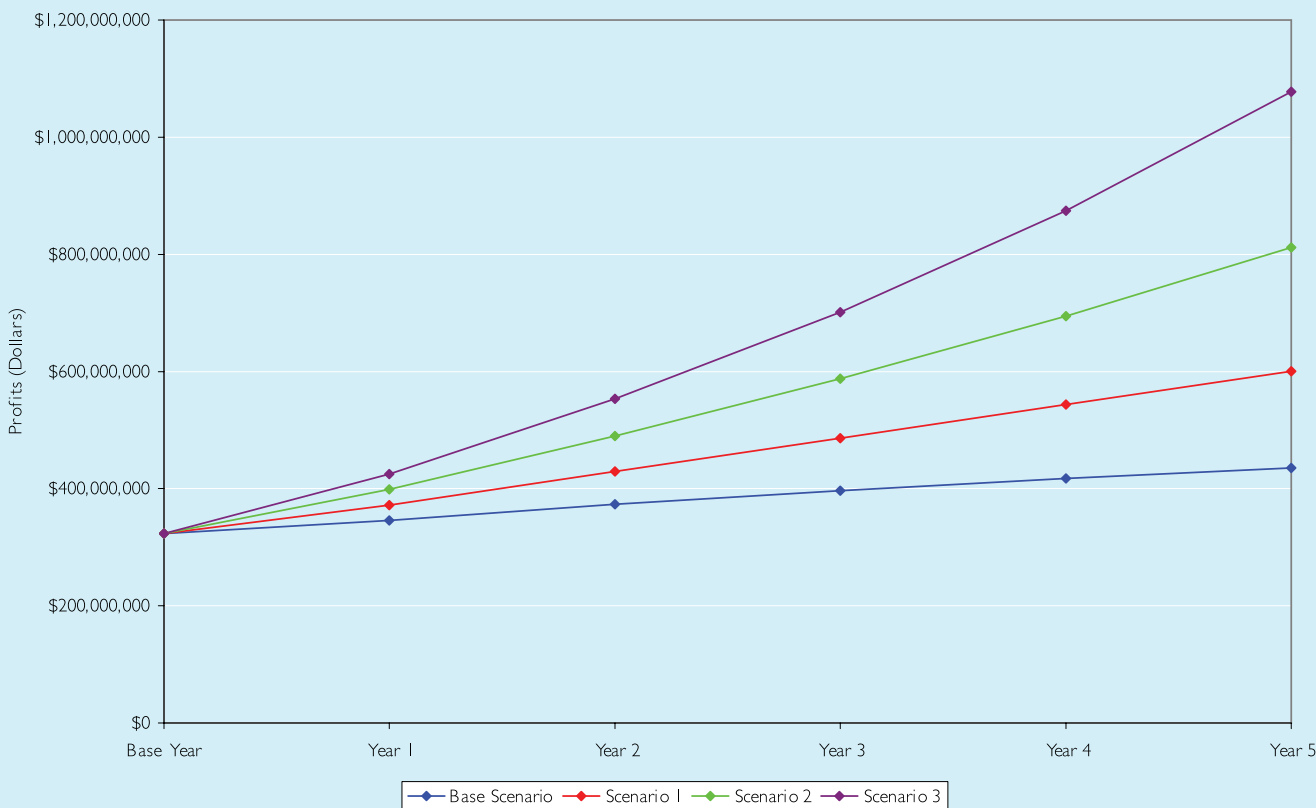
- Aligned interests of the corporate client and the outside firms, which can lead to a professional culture and market that is focused on delivering high value.
- Recognition by senior management that GCs and

in-house counsel are taking the lead and exercising strong business skills.

- A client community that supports law firm efforts to implement change which includes a willingness to reward those efforts.
- Law firms that are better focused in choosing, training and retaining top talent, as well as rewarding the skills and matter management that are most valued by clients.
- A meaningful dialog supported by practical tools that allows interested leaders to sit down, assess the options that work, and commit to align costs with value.

ACC hired a top economist to create a law firm economic model that firms and clients can use as a platform for discussion about needed reform.

Note what happens to profitability in a large market leveraged firm when the firm hires fewer entry-level lawyers and focuses on training and retaining a more limited pool of talent: Profitability rises dramatically.



¹ The number of first year associates drops by 13% in each year; from 180 in the base year to 90 in year 5. Source: ACC's calibrated law firm profitability growth model online at www.acc.com/valuechallenge.

What Can You Do? Join the ACC Value Challenge Community

We know that many have tried to create a platform for change and nothing has happened. We are dedicated to doing better. We will create a project that helps corporate counsel and law firms re-connect legal costs to their value. We will create an environment that helps every department and firm better align their services to the client's desired outcomes.

We know there is no silver bullet and one size fits one. This is a long-term initiative where the answers will be different for each law firm and corporate legal department. We will help to connect you to people and ideas that can work for you and support you in creating best practices that you can implement in your daily work. All this requires your involvement, however. Your input, feedback and contributions will be invaluable to our mutual success. Your commitment to implement change is crucial.

Would you like to join the ACC Value Challenge community? Visit the ACC Value Challenge online portal at www.acc.com/valuechallenge for access to the resources, tools and networks available, including:

- **Tool Kits:** Resources, checklists, ideas, success stories, metrics, frameworks, best practices, and more to help you implement what works for you and your client.
- **A Law Firm Economic Model to Challenge Traditional Assumptions:** By providing a simple discussion platform to examine the economic presumptions of the leveraged law firm business model, this downloadable model will provide a tool to help you assess how your firms can re-align their resources and profit-drivers with your priorities. (See *adjoining chart for illustrated example*).
- **An Online Networking Platform:** In 2009, ACC will offer a place for members and outside firms to converse, post, search and retrieve information about what others are doing, and for groups to develop policies and techniques that create savings and increased value.
- **Local Events and Face-to-Face Dialog.** ACC will host events in the United States, Canada and Europe, so that you can join with others in your community to lead the change. Find upcoming events on the ACC Value Challenge Online Portal or contact us to indicate your interest in hosting or attending a local event.

The Dialog Has Begun

Top executives from leading law firms and corporate legal departments gathered at regional focus group discussions to contribute ideas that helped us shape the ACC Value Challenge. The complete list of participants and contributors can be viewed online at www.acc.com/valuechallenge.

A dialog ensued ... and the need for alignment was further illuminated ...

“As a manager of my client’s legal spend, I can no longer authorize work from \$350/hour associates who are stunningly inexperienced and unsupervised, and who are looking to meet their firm’s unrealistic billing targets by rotating in and out of our work. If you gave me an associate who’d stay with my work, become expert in my matters, and develop into a leading lawyer for us, I’d gladly authorize that; but I’m not paying a legion of associates whose primary contributions are to other clients’ work and the firm’s outrageous profits per partner ratings.”

“How do law departments expect us to recruit and train the associates they want to retain to do their work if they won’t allow junior lawyers to bill on their projects? Heck, every time we assign someone to their work longer term, they hire them out of the firm to work in the department, usually just at the point when they begin to actually contribute to the firm’s overall profitability.”

“I’m interested in finding firms that want to help us succeed and grow our business: they need to learn what we do, what drives us, what makes our CEO crazy, what’s going on in our industry, what our staffing and processes are, and so on. Why don’t firms get that and invest in an institutional understanding of who we are and what we want? They either think that they know best, or that the ‘solutions’ they’ve worked up for some other client in a completely different setting will satisfy us or address our needs.”

“I can actually remember the days when our firm could rely on our larger clients to be more than satisfied with us when we returned the result they requested. And they rewarded our success with a stream of new matters. We all had great personal relationships with each other, we trusted each other, and we knew how the client wanted things done. Most in-house counsel today work very hard to keep us separated from direct contact with the company and the client, and they re-bid the work they have on virtually every matter, even when they agree we did what they asked us to and did a good job.”

“I can't find firms that are willing to take risks, build a collaborative team, consider alternative fees and staffing of my matters, and actively manage the budgets I have to live within. They just want to sell their inventory of hours and won't be bothered to consider new ways to work.”

“In-house counsel talk a big game about wanting alternative fees and arrangements when they bid out work, but whenever we propose an innovative or new way to work they either select the legacy firm that proposed the same old hourly billing structure anyway, or they come back to us and say they like the idea, but how about we just give them a 10 percent discount. They aren't managing to innovation or looking at what we proposed—they're simply looking for a better rate than the other guy.”

“Firms tell us what they want to sell and who they'd like to staff on our matters, and they don't ask us what or whose services we want to buy or what would be valuable to us. They can't seem to think of any way to serve us except the way they've always done it. There's no focus on a desired result, just on securing a stream of billable hours.”

“Clients don't tell us what they want, how they want their work done or what result they are seeking. Or they don't tell us until after we're way down the road (and they don't like the way the case is progressing) or after they've gotten the bill and they're 'surprised' by what it cost and how we handled the matter. Where were they when they retained us? How do they expect us to know what they want when they themselves aren't equipped or interested in figuring that out and conveying it to the firm they hire to handle the case?”

Helping to Start the (R)evolution—Your ACC Value Challenge Steering Committee:

Mike Roster, Steering Committee Chair, 2001 Chair, ACC Board; retired General Counsel, Golden West Financial and Stanford University; former Managing Partner of Morrison & Foerster

Jeff Carr, Vice President, General Counsel & Secretary, FMC Technologies, Inc.

Janine Dascenzo, ACC Board Member; Associate General Counsel, General Electric Company

Mike Dillon, ACC Board Member; Executive Vice President, General Counsel & Corporate Secretary, Sun Microsystems, Inc.

Ivan Fong, ACC Board Member; Chief Legal Officer & Secretary, Cardinal Health, Inc.

Kerry Galvin, ACC Board Member; former General Counsel, Lyondell Chemical Company

Al Gonzalez, ACC Board Member, and former General Counsel for Tyson Food

Miguel Rivera, Associate General Counsel-Class Action Division, Wal-Mart Stores, Inc.

Laura Stein, ACC's 2008 Chair of the Board; Senior Vice President & General Counsel, The Clorox Company

ACC thanks these leaders for their vision and guidance.



*A (r)evolution in
corporate legal
service provision*

For more information on *The ACC Value Challenge*, visit
acc.com/valuechallenge or contact Susan Hackett at hackett@acc.com.

ACC Association of
Corporate Counsel