

## An Overview of The ACC Value Challenge

*Reconnecting Cost with Value*

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### The ACC Value Challenge

- With such diversity in our membership, what is shared by every in-house counsel?

The imperative to:

- work within a defined budget
  - *control costs while delivering value*
- provide excellent client service
  - *Both keep the company out of trouble and make it stronger*
- decide how to get work done
  - *Address challenges/opportunities of using outside counsel*

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### All three imperatives under stress:

- The legal department as a cost center: doing more with less, unpredictable/unmanageable legal spend
- Companies under close scrutiny: new challenges to compliance / enterprise risk management
- Outside counsel who don't get it: inefficient business models that don't align with corporate priorities

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## ACC creates The ACC Value Challenge to help:

- in-house counsel to drive better value and management of the legal function
- outside counsel to redesign their business / service models to offer value
- collaboration between the two to reconnect the cost of legal services to their value

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## How did we get here?

If this has been a problem firms and clients have struggled with for decades, why is a solution possible now?

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Over the past ten years, costs to U.S. companies went up 20% . . .

. . . except legal costs, which went up **75%**.

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## Do clients really mean it this time?

- Decades of escalating legal costs w/o improved efficiency – corporate management won't take it anymore
- Changing economic pressures on clients and firms – now unavoidable due to the market crash: The Tipping Point.
- Is the focus really on value and making institutional changes or on hoping that things will return to "normal"?
- Many clients still don't reward value, but revert to a short-term focus on discounts – not re-addressing the model or creating the new normal.
- Both sides must adopt new ways of working & collaborate.

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## What does alignment entail? What does controlled cost mean?

- Lower/predictable costs for clients ≠ lower profitability for firms, unless the firm is inefficient or indistinguishable.
- Clients aren't looking for "cheap," they want "value," but we are all ill-equipped to implement sustainable/radical change.
- If the value focus is here to stay – then how can firms and departments adopt sustainable management practices?
- If value is subjective, what practices drive business models toward the alignment required for each matter/client?

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If we are jumping out of the frying pan ...

... What are we jumping toward?

**Common themes emerge in ACC VC sessions ...**

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## Defining what clients want

Themes from the regional sessions (2008-9)

1. Better management; lean efficiency (two-way)
2. Certainty / Predictability (up-front budgets/scopes that stick)
3. Focus on outcomes and results, not just on process and analysis: driven by metrics
4. Costs that equate with value received
5. Outside counsel and firms whose motivations and business model are aligned with the client's

**Common Theme: Communication/Trust/Alignment are Key**

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## This suggests that firms might consider...

- Value-based alternative billing and relationship structures
- Fixed fees: for entire matters or *stages as a starting point* – there are many options other than fixed fees – wide spectrum
- Bid for whole portfolios of services—old fashioned retainers
- Setting budgets and goals, then managing to them
- Leaner staffing with greater continuity
- Better training and mentoring of junior lawyers
- Don't reinvent the wheel; capture firms' legal knowledge

**Common Theme: Get a handle on costs/lean efficiency**

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## This suggests that clients might consider ...

- Better articulation of expectations and scope of appropriate budget up-front
- A return to long-term trust and continuity (versus default reliance on RFPs, audits, etc. – getting "married" to firms again.)
- Reward firms that demonstrate value/innovate/align
- Support firms by re-considering the in-house mantra:  
"Hire the lawyer and not the firm." In order for firms to institutionalize change, they need client loyalty that extends beyond an individual.

**Common Theme: Dating stinks; let's get married.**

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### Large departments may take a lead or get more attention ...

- ... But value practices are just as important (maybe more important) for smaller departments & the firms serving them.
- Small department ≠ small company or small client.
- Small law departments tend to be “better” clients – longer term/personal relationships, less bidding, more stability.
- Many larger department and firm techniques are scalable for smaller/mid-tier department and firm use. See ACC Value Challenge webpages for all kinds of value practice profiles.

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### Unique Opportunities...

- ... For clients that previously did not have the leverage of the Fortune 50 in driving innovative terms with firms
- ... For in-house counsel who want to drive better mgmt. and have firms that are prepared to do better for the future
- ... For firms that are early adapters – demonstrating their savvy in managing their own business. (Helping clients who don't have the time/capacity to re-invent the firm for them.)
- ... For firms with a clearly defined value proposition and transparency with clients – facilitates risk sharing.
- ... For regional, mid-tier, value-firms, as well as boutiques: reasonable rates, lower fixed costs, greater flexibility, nimbleness

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In the end,  
it's all about value.

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