

## The Value Chain: Adding value at each stage of legal services provision

By R Hawke and C Powell

The Value Chain is a business model created by Michael Porter that describes the full range of activities needed to create a product or service. In this article we expand on the “Chain” element of service delivery to consider the practicalities of optimisation and value enhancement throughout the process. Breaking down and analysing each stage of the Value Chain can lead to system improvements, providing increased efficiency and thus profitability.

The goal of The Value Chain is to recognise which activities are the most valuable and which ones could be improved to provide competitive advantage.

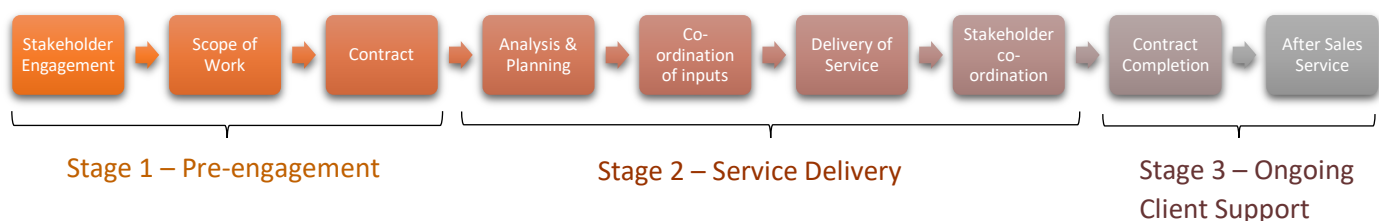
When a firm is considering its value to clients and partners / shareholders, it is important to understand and best utilise what they possess. For example, what areas of work do they excel at and what is the competition? What legal expertise is there in terms of lawyers and can they be utilised better? Furthermore, does the firm know the unit costs of its production (legal work)? This is something many firms don’t understand when considering the remuneration that they receive for the work done. How profitable are the areas of work undertaken?

Breaking down each creation process by stage, identifying key factors, and then measuring accordingly helps Law Firms understand what works, and ensures they can stay competitive. Additionally, by doing each stage well and communicating effectively with stakeholders, soft values in terms of reputation and good client experience are enhanced leading to a “Cycle of Returns”.

Advantages of Value Chain Law Firm modelling can be summarised as the following:

- Reducing Costs
- Competitive advantage
- Increased profitability
- Increased efficiency
- Higher quality service
- Improved reputation and recurring client base

### Value Chain Delivery Model



There are few law firms that use Value Chain analysis so there is an opportunity for competitive advantage for those that do. Examples of areas to recognise, measure, and act upon at each stage are considered below.

**Stakeholder Engagement:** The importance of stakeholders to ensuring benefits of the Value Chain varies should be ranked accordingly. The key stakeholders in the Value Chain are the clients with whom the firm will have potential business, and the the third parties (barristers, experts etc) with

whom ensuring good working synergies on matters will help deliver value. Additionally, staff engagement is vital and reviewing culture and measuring staff well-being can do this. Staff feedback and ratios on staff turnover are examples of measurements. Client engagement comes through awareness (marketing), and previous delivery of service (Net Promoter Score and other feedback methods).

**Scope of Work:** Clearly understanding your client's needs is an essential part of both building the relationship and building credibility that an outstanding service will be delivered. Articulation of this forms part of the initial proposal and once refined, becomes a core part of your contract. Within the legal and all other service industries the product is the expertise offered and the skills applied to achieve a specialist service. Having written clarity at the outset of items such as deliverables, communication rhythms, roles and responsibilities, limitations etc all help to manage stakeholder expectations and leads to a quality experience for your clients.

**Contract:** Further to the Scope of Work, the Contract underpins the formal agreement leading to commencement of activities. Part of the contracting process should include a 'checklist' to verify the due diligence has been employed thus protecting the interests of the firm, and client, during the delivery of services.

- Have credit checks been undertaken?
- Have the relevant communications been made (client care letter etc)?
- Does the client understand the scope, scale and duration of the work?
- Have all contract clauses been understood and agreed?
- Have costs and invoicing structure been clearly communicated and understood?
- Is there a fee structure included for additional works to the current Scope of Work?

It is critical to understand fee-earners costs per hour (salary & overhead) to allow for commercial costing and this will be applied when pricing. It is recommended that a proportion of money is paid on account with the upfront 'proportion' quantified against risk.

The Contract between the organisation and client should be as simple and short as is safely possible. The purpose of a Contract is to protect both parties against mis-understandings and unknowns, and being able to conclude this stage efficiently will provide assurance to clients that they have chosen the best legal firm to support their activities – thereby adding Value.

**Analysis & Planning:** Having agreed the work that will be done its imperative the goodwill of the client is retained by following that plan, with work being done efficiently and within an agreed timescale. For internal management, a set of workflows should be adopted (ideally through a Case Management System) to guide the process of providing the legal service in the most cost / time efficient way whilst maintaining quality. The workflow might include standardised documentation, 'what/if' scenarios, and stage requirement reminders for example. In essence it is to ensure the most efficient delivery through critical path analysis (CPA).

**Co-ordination of inputs:** Inputs are drawn from (1) the Client's objective and Scope of Work, (2) receipt of information from and negotiation with 3<sup>rd</sup> parties, and (3) team expertise. The workflow should be utilised via the most efficient application of these inputs against use of staff based on expertise and cost rates. Having a fee-earner database that considers expertise required for specific work compared to availability can aid efficiency.

**Delivery of Service:** Delivery is where everything needs to come together in terms of legal process, interpretation, and application, third party co-ordination, client advice, and general process /

communication. The workflow should include 'markers' to ensure communications are maintained with the client, costs are controlled, cash flow is maintained and potential bad debts are highlighted early on. Quality can also be managed through a workflow via triggers to ensure supervisor checks, comparisons through AI for required quality standards, and random file review selection. Efficient, high quality delivery of service is the crux of Value creation.

**Stakeholder co-ordination:** Throughout the case or project process, it is essential to maintain regular contact with the clients, barristers and other 3rd party stakeholders, to ensure that work is proceeding how they envisaged. The reputation of a legal firm is critical to enable growth and corporate longevity.

**Contract Completion:** Closing off work through clear client communication and ensuring all monies are received can be aided through the work-flow. It has been found that a clear summarised close off communication can enhance on-going client goodwill significantly.

Subsequent to completion of works, it is important for cases to be reviewed for client experience, performance, profitability (a case P&L) and variance from expectation, quality standards (Heads of Departments & Supervisors), and individual fee-earner performance for both profitability and quality within that case. This information will allow lessons to be learned, to increase standards and utilise resources more efficiently on future cases to deliver value improvements.

**'After sales' service:** Maintaining communications with your clients after contract completion helps them to feel supported as well as reminding them of your services. Using a GDPR compliant database allows you to control these communications and ensure that the firm has a central record of its customer relationship management (CRM). Legal firms offer 'distress services' and it can be years between a particular clients' requirements so regular updates will keep you 'alive' for when legal services are needed again. Knowing a client will allow you to specify areas of possible future legal needs and a CRM database can provide opportunities for cross-selling from the information already held. Remember the saying 'every customer has a 1000 friends' – a good job delivered coupled with high levels of after sales service can bring many indirect business leads creating a Value Chain Cycle of Returns.

By addressing each stage of the Value Chain and breaking down its components, marginal gains can be made in each stage. The aim is to see regular improvement in the cycle through consideration of system process improvement and application, developing value metrics for clarity. Measurement will also emphasise the most important factors within the chain and how best to allocate resources to deliver a continued improvement to your operation.