

Law Firm Pricing: Strategies, Roles, and Responsibilities

TOBY BROWN AND VINCENT CORDO



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Executive summary

AS LAW firms and their clients evolve in setting ways to predict legal costs – while tracking key metrics/KPIs and producing top tier results – they are investing new thought into pricing and matter management and have begun to hire ‘pricing directors’ and leaders whose job it is to rationalize, monitor, control, and set strategic pricing.

This report explains the evolution of a finance function within a law firm and the strategic interaction with the client pricing role, explaining the value and benefits this pricing position can provide. It will provide step-by-step guidance for law firm leadership and pricing directors (and their equivalent) as they come to terms with this changing role and its key responsibilities. This report will also be useful for those considering the role of the pricing director and appointing one for their firm.

Much has been written about the changing market for legal services. This report is not more of the same. It is written with the understanding that the reader is already well aware of the market. Clients continue pushing for greater discounts and they want ways to measure quality, and of defining metrics, tools, processes, and value. The industry is pushing for metrics and statistics to help pinpoint the best law firm options to complete a matter and for clients to pick the best firm to fit their needs. Where the technology revolution was once the answer, there is now a glaring need for analysis, a definition of metrics, standards, process setting with expectations to maintain

value (defining what value is), and quality, while proving you are being better, faster, and cheaper.

The push for law firms and clients to focus on their pricing and matter management strategies is here. Law firms either need to adapt and embrace these new value approaches and start setting standards, or sit back and watch their bottom lines drop.

This shift in the industry has led many firms and clients to create pricing roles and teams to support this effort. Given the pressures on businesses to keep their spend predictive and for partners to bring in business while maintaining profitability, these roles have quickly become important and have high value to firm leadership as well as amongst clients. The titles for these positions can vary, but generally they evolve into some form of a ‘pricing director’. The director level acknowledges the impact on the business of law and the need for high-level skills for the position.

Pricing directors and pricing teams have been thrust into the position of helping their firms and businesses to understand and ultimately adapt to this changing market. This report will explain, in detail, the function of this role, what breadth of skills one needs for it, how the pricing team should be structured, where it sits in an organization, how it interacts with strategy and with clients, and what governance should be set in place to make it work.

More importantly, this is the starting point to the 'how' – how the position works and how to make it truly beneficial to the firm. The position needs to be more than a marketing tag in an RFP response next to the bios; clients want to see testimony in responses without 'cookie cutter' type generic replies to RFPs. From the client's side, they need to have in place a role that knows how to measure metrics while producing results and getting greater control on predictability.

Needless to say, whatever the pricing role starts as, and whichever department it starts in, it invariably evolves out of necessity. The evolution is driven by client and firm pressures, typically based on the profitability (firm) cost center predictability and outcome (client) groups most in need of help.

About the authors

Toby Brown

Toby is the director of strategic pricing & analytics for Akin Gump (www.akingump.com). In this role Toby works with firm partners and clients in developing pricing arrangements and service delivery models that drive successful relationships. Prior to this, Toby served in similar roles for both Vinson & Elkins and Fulbright & Jaworski, where he also drove knowledge management (KM) initiatives and various marketing efforts. Before joining Fulbright, Toby served as the communications director for the Utah State Bar. In his tenure with the Bar, he also served as the CLE, access to justice and programs director.

Toby presents nationally on legal pricing, marketing, technology, and law firm management for associations, law firms, legal departments, law schools, and paralegal programs. He has also published numerous articles on these topics. Toby has served on a number of legal services boards, bar association task forces, and legal market organizations. He received the Peer Excellence Award, the President's Award, and the Anne Charles Award from the National Association of Bar Executives.

Toby maintains the ABA award-winning *3 Geeks and a Law Blog* with two colleagues at: www.geeklawblog.com. He is active on Twitter as @gnawledge and can be found on LinkedIn at www.linkedin.com/in/tobinbrown.

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Vince serves as the global director of client value for Reed Smith. He leads the firm strategy related to the evaluation and implementation of value pricing, alternative fee arrangements (AFAs) and matter management. He is responsible for organizing efficient and capable teams of professionals to align project management and process improvement with business drivers, assigning resources, tools, and tactics to satisfy business and client needs.

As the leader of Reed Smith's project management office (PMO), Vince oversees the strategy and application of legal project management, while working to drive efforts to define and deliver maximum value to clients. His team includes financial analysts and project managers who prepare and analyze various pricing alternatives, and who assist with matter management firmwide.

Throughout his career and prior to joining Reed Smith, Vince has held the positions of business development director, business consultant, global director, project manager, and engineer. In these roles, Vince worked with venture capital firms, assisting with multiple public offerings, and he also took the lead on a number of diverse business, information technology, and project management initiatives for a wide range of clients. Vince is a recognized leader and speaker in the fields of AFAs, project management, business process improvement, knowledge management, service delivery, and a variety of related disciplines. He is a Six Sigma Black Belt, is a member of the Society for Information Management, ILTA, the AFA Forum, Six Sigma and Project Management Institute, and helped form the legal industry Pricing Practice Innovation Project Management Group (P3).

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EVEN A quick skimming of this report will give you an idea of the chaotic and demanding nature of the pricing role. This of course impacts those nearest to us, both personally and professionally, and taking the time to write this report has only increased this.

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