

## SPEAK UP

# Voyage to value

Consider the key role of clear communication in both the creation and comprehension of value for money, advises Stuart Dodds, director of global pricing and legal project management at Baker & McKenzie



The recent debate about the ‘price of law’ and press headlines on lawyers charging up to £1,000 an hour got me thinking about a subject closely related, yet often overlooked – the true value the associated legal advice can bring.

As some readers may be aware, the perceived value of any product or service at all may be summarised in a pretty simple equation: Perceived value = perceived benefits/perceived sacrifice.

We probably do this quick calculation every day, working out the potential ‘benefit’ of a specific purchase compared to how much it will cost us or how much time it would take us to do (the sacrifice). I use the analogy with my wife that she would rather pay a decorator than have me do a poor job and take twice as long.

However, the ability to build or generate that value is less simple. The foundation lies in five key principles, often referred to as the ‘five Cs of value’. They were first outlined by Ron Baker (and feature in his book *Implementing Value Pricing*).

There is how we *create* value for our clients; how we *comprehend* the value of our work to clients; how we *communicate* value to our clients; how we *convince* our clients that they must pay for value; and, finally, how we *capture* value with a pricing approach driven by the value, not just the cost of the associated ‘inputs’.

On the (hopefully correct) assumption that creating value for our clients should be a prerequisite – through mitigating a

perceived or very real risk, for example, or generating additional revenue – what about the second point, how we comprehend value to clients? The checklist here could be very broad indeed. Each client may tick different boxes. Aligned goals and objectives between firm and client will factor highly, but so may effective communication, collaboration, and predictability of outcome and/or cost.

But it’s the communication of value to clients that’s so often most important in the discussion that follows. Although we all know that the points of differentiation most effective in a proposal are those seeking to address the specific client business problem (and which provide a positive bottom line impact), this requires us to actually speak to, and manage to understand, client requirements from the outset – rather than merely pitching with a generic proposal full of untested assumptions. I’d say communication also means arriving at a much better understanding of how we generate value across three dimensions – on behalf of the client’s organisation, for the client themselves, and compared to other firms.

The better the communication of value, the more convincing it will be. All of which leads us nicely back to the ‘price of law’ – the underlying commercial approach or fee. At a recent event, I heard it put: “There’s no such thing as a price-sensitive client, only a client who has grown indifferent to your differentiation.”

A very useful reminder to us all – regardless of our price tag! ▶

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