LawVision INSIGHTS Blog

Client Satisfaction is Dead…

By Joseph B. Altonji on February 15, 2017

Client satisfaction is dead – or you may be, if that is your primary focus as an organization. This seemingly radical statement is but one conclusion you might draw from reading ***Value As a Service***, a fabulous new book by Rob Bernshteyn, President of Coupa, a cloud-based business spend management software and consulting company. It's not that client satisfaction is a bad thing; a more accurate way of thinking about it might be that 1) it likely is the wrong goal and 2) it isn't nearly enough in any case. As Bernshteyn writes, "*We don't want to satisfy our customers – although it is nice when it happens – we want to do everything in our power to make them successful. The customer-success model aligns our interests with the interests if our customers in quantifiable ways."*

If it seems strange to imply that client success and client satisfaction are not the same, think back to the old story (apparently not actually true) about Henry Ford. When asked once about his customer's goals, he supposedly responded along the following lines: "If I had asked people what they wanted, they would have said 'faster horses.'" To move into the realm of the legal world, how in the world did law firms ever get the idea that the route to success was returning all phone calls the same day? You can have wonderful service, and all your clients might tell you they are tremendously happy – until they leave you because someone else figured out how better to ensure their success.

So what is "value as a service" all about? In simple terms, it is all about defining, up front and in quantifiable ways, what the client's objectives are (e.g. saving $X million, or improving processing times by Y, or settling a case within 3 months for no more than $Z) and measuring that against the cost of the product or service you are providing, in a way that allows you to know categorically that you created value and are being paid appropriately for that. A key point, though, is that "value" is not a concept that can be defined by either the client or by the service provider individually. It needs to be a *joint* effort, which aligns your organization's success with the success of your client in the particular project or matter at hand. Then your organization will focus solely on assuring the client's success is achieved. Although many of Bernshteyn's examples are drawn from the world of enterprise software and other major technological efforts (E.g., why was the Obamacare website roll-out a mess?), his concepts apply across the board in all areas of product or service delivery.

One critical lesson to draw from this is that as a service provider you should *never* begin a project without a clear understanding (and agreement with the client) of what client success will look like when you are done. If you do, you run serious risk that no matter what happens, or what you do, the probability that the outcome will be consistent with client success radically drops. At this point many lawyers might react by saying something like – "Well, we can't do that most of the time. The client is being sued and we have to get the TRO in place…." OK. But do you then go back and focus on an upfront definition of client success on Saturday morning? Many don't – they simply assume they know, and end up spending lots of time (too much?) and money trying to "satisfy" the client, rather than creating the value associated with client success.

What might the legal industry look like if delivering value as a service was always the singular focus of every law firm? Imagine that in every situation there was a clear understanding of both what success looked like and what the law firm's share of the value created should look like? As a law firm you are going to achieve X and if you do you are going to be paid $Y. For example, the difference between "We will take probably 20-40 depositions, respond to up to 20 motions, handle negotiations, etc. and return your phone calls promptly, have clear billing statements, etc. We think the overall cost to defend this case (for which the plaintiff wants $25 million) will be in the range of $1.5M to $3.0 million, but that is hard to determine and will depend on a lot of factors, including how the other side behaves, that are subject to change over time. We promise to communicate status regularly" is very different than "We will resolve this case within 6 months and the settlement costs to you will not exceed $3 million, rather then the $25 million they are asking for. For accomplishing this we will be paid $2 million." In the first case, it is all about what the law firm is doing. In the second, it is all about what the client's outcome is going to be, and how the law firm will share the value created (i.e. saving $22 million from the demand price and getting the case done quickly to allow the client to focus on other priorities.)

If you and the client were to reach an agreement about value of this type, does the client care how you get that done? Not really – only that you do. Would value pricing finally really take over, getting us away from hourly billing? Would the industry actually start focusing on outputs rather than inputs as the measure of value? And would we finally start really thinking about how best to configure the future of the industry at a time when cost and value remain materially unaligned? Reorienting how we think about the goal may just lead to new thinking – and new action – on how we build and operate our firms.