White Paper

Implementing Legal Project Management: Is There a "Right" Place to Start?

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Post-Recession Market for Legal Services Placed Focus on Project Management

Legal project management (LPM) is becoming "the way" of doing business in law firms and legal departments. Although the skills and techniques of project management have been applied in most other industries for decades, they only started to take hold in the legal industry in the last few years. In fact, as recently as five years ago, many lawyers were merely seeking to understand LPM language and still debating whether the skills applied to their work. Today, lawyers are learning to implement LPM principles in order to better plan, organize, and supervise projects. In a few short years, legal organizations moved from questioning the need for and application of LPM principles to implementing them in many aspects of how they do work.

While both process improvement and project management offer great opportunity for law firms to improve their business model and win more business, more firms adopted project management approaches first because it required less cultural change. Firms didn't need to convince their lawyers to undertake an overhaul their legal work, as one typically does with process improvement, in order to gain significant benefits. However, we are starting to see many firms now using process improvement techniques, in addition to LPM, in at least some of their practices.

A Bit of Historical Perspective

The management of a law firm evolves as the firm grows and/or as the market changes. Management approaches that worked when a firm had 150 lawyers in one office most likely doesn't work with 750 lawyers in eight offices. Major law firms recognized this as they evolved from democracies where all partners were involved in most decisions to centralized firm management. Over the past two decades law firms shifted to practice group management (which for large firms includes departments, practice groups, industry and client teams). Most recently, client pressures, client sophistication and competition combined to drive the next evolution from managing at the practice level to managing also at the matter or "project" level. As a result, the "latest" model for law firm management became legal project management. LPM became a key component for enhanced profitability and improved client relationships.

In an increasingly competitive marketplace and with an economy in turmoil, most law firms recognized that they could no longer practice as they had in the past and expect to thrive in the future. While law firms had made evolutionary changes to their practice in the past, the rapid deployment by many firms of the new approaches involved in project management and process improvement were more than evolutionary.

Project management in the legal arena is about defining, planning, executing and evaluating legal matters to meet the client's and firm's desired objectives and expectations (typically including developing and adhering to a budget). It is not about dramatically changing the way a matter is handled – that is a legal process improvement concept. It is fundamentally about a more proactive, disciplined approach to managing existing work to enhance the likelihood of meeting client and firm expectations.

Key elements of legal project management include:

- A more thorough understanding of the project/matter at the outset, especially as it relates to understanding the client's situation and expectations. This means identifying and understanding the impact and influence of all stakeholders, risk factors associated with the influence of those stakeholders as they affect scope or direction of a matter, and types of communication needed for those stakeholders.
- Enhanced communication with the key influencers in the client organization and with the project team inside the law firm throughout the matter but particularly at the beginning to define criteria for success, limitations on the matter, budget/cost expectations, etc.
- Development of a "scope of work" agreement at the outset of the matter defining what is "in" and "out" of scope for that matter. The scope of work document, combined with an assessment of risks that can affect the firm's ability to meet client objectives, and the assumptions upon which the scope and budget are based, enable a matter team to ensure they are on the same page with clients and to manage the matter and budget accordingly.
- Development of a template for how the work will be done (called a Work Breakdown Structure in project management language) and a budget based on that template to which the legal work is subsequently managed.
- Monitoring of the matter throughout the life of the matter, including budget to actual, key milestones for progress with the client's objectives, changes in scope, risk or influencers and more.
- Evaluating a matter at the end to identify "lessons learned" and how similar matters with the same or different clients can be improved in the future – resulting in greater efficiencies or better results.

Three main trends drove the interest and ultimate acceptance of project management across the legal profession:

- Client demands and expectations – Late in 2008, the demand for legal services dropped precipitously and clients realized that they had a buyer's market for legal services. Clients increased their requests for alternative fee arrangements or "AFAs" – essentially non-hourly pricing arrangements and they began to expect law firms to develop and adhere to matter budgets. Many firms suddenly found that when they went over budget, the clients would not pay the excess. Realization rates dropped significantly. Lawyers were simply not prepared for the almost overnight change where that previously informal or "rough estimate" budget became a "cap" on the fees.
- Increasing competition for legal work – As demand for legal services was flat or declining, law firms resorted to very aggressive price competition – even for what was historically considered high end work. This was a particular shock to many mid-sized firms who historically competed with larger firms by pitching they were "just as good as, but less expensive" due to lower costs. This sales approach didn't take into consideration that the larger firms historically had greater volume of work in any given area and therefore had economies of scale and could pass those savings/efficiencies on to their clients. As demand dropped, larger firms selectively priced work to win new business, even beating smaller firms on a price point. Additionally, more large firms implemented

process improvement or project management techniques than mid-sized firms, further reducing their costs of doing certain types of work.

- Changing profit equation for law firms – From 2000 to 2007, law firms primarily increased their profits per partner (PPP) by increasing billing rates. Today, billing rate increases are limited and frequently specific to niche expertise. In addition, clients expect their law firms to identify ways to decrease the company's cost of doing business, i.e., legal fees. Clients recognize that there are many qualified firms to choose from for most areas of work and if one firm will not cut costs or increase efficiencies, another will.

Successful Implementation of Project Management in the Legal Profession

Firms that have implemented project management have seen benefits to both the firm/team and their clients. Benefits have included improved profitability; greater client satisfaction often as a result of greater predictability, improved communication and a more managed approach to the legal work for the client (on budget and on time); enhanced risk management; greater consistency and therefore quality in the legal work; enhanced risk management; and enhanced morale among the matter team. The question for the newcomers to the table (and sometimes those who are already at the table) is frequently where to start. Our experience tells us there is no single answer to that question that fits everyone and every firm.

There are many things to consider when embarking on an LPM initiative, but one of the most critical is firm culture. Designing an approach to LPM implementation that matches your culture will ultimately determine the success of that implementation, i.e., the acceptance and use of LPM skills and techniques. The trick is that most firms, or most large organizations in general, have a mixed culture. What works for one group within the larger firm, might not succeed with another.

A few common elements of successful implementation include:

- Determine the firm's overall objective for implementing LPM – this could be in response to client demand (as evidenced in surveys or RFPs or more direct requests from significant clients, for example), to improve profits, to create stronger teams or all of these things and more. Keep the objective "front of mind" when designing your approach.
- Define "success" at the onset and identify metrics to determine when success has been achieved – these metrics will change as the implementation process evolves. Metrics could be as simple as how many lawyers use any of the LPM techniques during the early stages of implementation to how profits increased on a matter over time during the latter stages of implementation.
- Invest in training and do this in a meaningful way – identify what that means for your firm. A recent survey by Citi among major US and international law firms shows that 50% provide their lawyers with project management training and 97% of the remaining half plan to offer in the next 12 months. Legal organizations can decide if the entire organization need some level of awareness training or would it be better to only train a small number or lawyers (or other professionals) in more in-depth skills training (e.g., client teams, niche practices, senior associates, those most interested)…or a mixture of both.

- Determine what level of investment the firm wants to make in both tools and resources (both human resources and technology-based resources like templates that can be used on similar matters) – include those tools in the training and make it clear where to find the resources and how to use them. Regardless of how sophisticated or simple those tools are, helping everyone understand how they facilitate stronger LPM skills is important.
- Communicate, communicate, communicate – keep the entire process transparent to firm members (lawyer and non-lawyers) and clients, where appropriate.

Case studies of LPM implementation in law firms who have embarked on the process illustrate the variety of approaches. Some firms focused on people, technology, and training. Others focused on identifying key matters that would most benefit from the application of LPM techniques and then mined data for similar matters to develop benchmarks, templates, and best practices. Still others focused on process improvement techniques to create greater efficiencies and then project management techniques to manage to the improved processes.

One of the greatest obstacles to <u>full</u> acceptance and implementation is not approaching this as a major change management initiative. Implementing LPM in a legal organization means significant change in how lawyers think about and do their work and as a result, requires undertaking the typical steps to lead any change process (building the business case, identifying and developing champions, showing early successes, communicating clearly, aligning other systems to support the change, etc). For example, if a partner compensation system continues to reward volume revenue over matter profitability, a partner will not have sufficient incentive to invest in learning to manage matters in a more cost-effective manner. Additionally, if an associate is evaluated primarily based on billable hours, the associate is not incentivized to work as efficiently as possible.

Although the inclination might be to start small, and it is fine to roll out legal project management in steps and phases (e.g., by practice, by client, etc.), the "culture" piece of it should be broad. More than anything, it's important to understand that a firm-wide effort of this kind takes time (i.e., years!) to roll out fully – this is not something that is going to be accomplished by the end of the year, or maybe not even by the end of next year. A lot of foundational pieces can be in place in a shorter period (approach, technology, some templates, etc.), but expect the firm-wide effort to be ongoing for some time. That doesn't mean you can't get started. It just means you should be thoughtful in how you start.

Conclusion

As the momentum for LPM continues to grow and many aspects of LPM become the "standard of care" for handling legal matters, we will continue to see most law firms implement LPM approaches in many more of their practices or matter teams.

About the Authors

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Please feel free to contact us to share your successes in LPM or to ask any questions you might have after reading this White Paper.