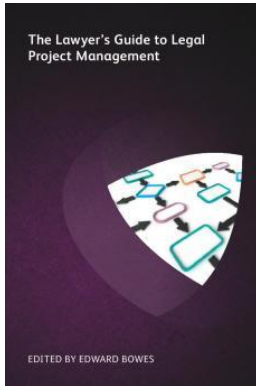


Why is it urgent to implement LPM?

By Jim Hassett, LegalBizDev



An excerpt from the book *The Lawyer's Guide to Legal Project Management*

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The primary reason that it is urgent to implement legal project management (LPM) is simple: clients want it.

For the last several years, in its annual *Chief Legal Officers Survey*, Altman Weil has listed 10 top trends and asked, “Of the following service improvements and innovations, please select the three you would most like to see from your outside counsel.”¹ The list includes preventative law strategies, improved communication, alternative project staffing, and technology efficiencies. The top three in the most recent survey (2016) were:

1. Greater cost reduction (selected by 53% of respondents)
2. Improved budget forecasting (43%)
3. Non-hourly based pricing structures (36%)

Since LPM leads directly to #1 and #2 and is very important for success in #3, you could sum up the results by saying that what clients want most these days is LPM, LPM, and more LPM.

LAW FIRMS ARE MOVING SLOWLY

How well are law firms doing in meeting this client need? Not very well. When CLOs were asked, “In your opinion, in the current legal market, how serious are law firms about changing their legal service delivery model to provide greater value to clients (as opposed to simply cutting costs)?” on a scale from 0 to 10, the median rating (with half the firms above and half below) was 3. This median value has been identical for the five years the survey asked the question (2012-2016), so despite all the press releases law firms are putting out trumpeting their successes in increasing value, clients have not been impressed by the results.

Turning to the law firm perspective, the first question in Altman Weil’s 2016 *Law Firms in Transition Survey* was, “Which of the following legal market trends do you think are temporary

¹ Altman Weil, *Chief Legal Officer Survey*, <http://www.altmanweil.com/CLO2016>, 26

and which will be permanent?” The top three answers were more price competition (95% think this is permanent), focus on improved practice efficiency (93%), and more commoditized legal work (88%).² Of course, all three can be addressed through LPM.

But when Altman Weil asked the same group, “Has your firm significantly changed its strategic approach to efficiency of legal service delivery?” only 44% said yes (26% said no and 30% said changes were “under consideration”). Summing this up, 93% of firm leaders think more efficiency is needed, but only 44% are doing something about it. What’s wrong with this picture?

In many cases firms that say they have “changed their strategic approach” have done so only for a small sub-group within the firm or in a strategic plan which has not yet been implemented. In the trenches, the vast majority of lawyers are still practicing the way they always have. Perhaps this should not be surprising, since LPM requires lawyers to change habits they’ve developed over decades, and no one likes to change.³

The gap between what firms should be doing and what they are actually doing has existed for years. Fortunately, the survey dug into the details of what’s behind the problem. Authors Eric Seeger and Tom Clay concluded, “The biggest impediment to change, identified by 64% of law firm leaders, is that partners resist most change efforts.”⁴ As a long-term strategy in a profession where client demands are changing rapidly, that’s a great way to insure that your job will be in danger.

In 1962, Professor Everett Rogers analyzed the forces involved in changing business behavior and summarized his conclusions in an influential text entitled *Diffusion of Innovations*, which is now in its fifth edition. In this context, the most important idea is his argument that the people who adopt a new idea are distributed in a normal curve in several sequential categories, which he called innovators (2.5%), early adopters (13.5%), early majority (34%), late majority (34%), and laggards (16%).

While it is impossible to prove exactly where LPM stands on this continuum, based on our experience talking to a wide number of firms, we strongly believe that LPM is at the early adopters’ stage. A small group of innovators has successfully proven its value, but the spread to others remains slow. Many law firms have done an excellent job at putting out press releases announcing that they are leaders in LPM, but when it comes to changing the way an entire practice group or firm does business, they have fallen far short.

If you believed what you read on the internet, you’d think that LPM had already swept the legal profession and that a large number of firms have developed a solid track record of success. However, it is an open secret among people in the field that there is a huge gap between the success that many firms claim on their web pages and the slow pace of LPM adoption within even the most vocal firms.

² Altman Weil, *Law Firms in Transition Survey*, <http://www.altmanweil.com/LFiT2016/>, 1

³ I spend my life talking to law firm leaders about what they are doing to increase efficiency, and my guess is that the percent of firms that have made significant changes is closer to four percent than to 44%.

⁴ *Law Firms in Transition*, vi

Even the firms that have been most serious about making this change have found that progress is slow. Seyfarth Shaw is one of the best known names in LPM and has been working aggressively on implementing it for more than a decade. But the firm's Chair and Managing Partner Steven Poor has written in the *New York Times Dealbook* blog that one should "Never underestimate lawyers' resistance to change."⁵ That's the bad news. The good news was summarized by Lisa Damon, the partner who leads SeyfarthLean, who has said that, "If you get a group of lawyers and staff into a room to discuss how to make things more efficient, it's very easy to find savings."⁶

When you put these two facts together—it's easy to figure out how to be efficient, but hard to get lawyers to act on it—you begin to see why there is so much confusion about what works best for LPM and about which firms have made the most progress. Add in the vested interest that firms have in publicizing any success they do achieve, the fact that there are wide individual differences between lawyers within a single firm, and secrecy within firms, and it becomes clear that it is almost impossible for outsiders to compare firms on their progress.

The bad news here is that clients want faster progress. The good news is that to win new business you just have to be a little better than your competitors, so law firms that have started down the LPM path have an enormous opportunity to get ahead of those who have not.

Glacial progress can produce new business when you are competing with firms that are making no progress at all. We were reminded of this when one client contacted us two years after we offered just-in-time LPM coaching at her firm. She reported that they had just won some new business as a result of using LPM. She went on to say that she had been frustrated by the slow pace of change in her firm, but in this case it did not matter because their competitors were even slower. "If you move like a turtle but you're racing a bunch of snails," she said, "it all works out in the end."

The slow rate of progress is in some ways hard to understand given the potential payoffs. As Altman Weil put it in one survey:

Perhaps no other long-term initiative will do more to support staffing innovation, pricing innovation, efficient delivery of services, improvements in margin, and reductions in overhead than true project management training. It's important to distinguish between a one- or two-day seminar which will not produce much long-term value, and a systematic, hands-on approach that instills fundamental operational change. Firms that give their people the right kind of tools and training in this area will create new efficiencies for clients, improve profitability of matters, and create significant competitive advantage.⁷

⁵ Steve Poor, "Re-Engineering the Business of Law," *New York Times Dealbook* (2012), <http://dealbook.nytimes.com/2012/05/07/re-engineering-the-business-of-law/>

⁶ http://adverselling.typepad.com/how_law_firms_sell/2009/01/alternative-fees-part-3-what-your-competitors-are-doing.html

⁷ http://www.altmanweil.com/dir_docs/resource/f68236ab-d51f-4d81-8172-96e8d47387e3_document.pdf, viii

LPM BENEFITS

When I interviewed managing partners, chairs, and other leaders of 50 AmLaw 200 firms for my book *Client Value and Law Firm Profitability*, several talked about the importance of implementing LPM:

One of the problems that we have, and frankly that most firms have, is just teaching lawyers how to manage a project, getting them out of the habit of just automatically starting out with some rote process. Just because the client says “I think I might have a lawsuit” doesn’t mean you go off and conduct 40 depositions. Lawyers need to sit down and talk about what the client is trying to accomplish. It might turn out that we are able to accomplish the client’s end goal without taking any depositions.

Most of our clients are no better at understanding or applying legal project management than we are. But in the future, the fact that you can actually do something on time and within budget is going to become an important indicator of whether or not you really are a good lawyer.

If you apply all its principles, LPM is not that scary, and it’s not that hard. Just getting people to understand it and do it is the biggest challenge.⁸

According to an ALM Intelligence survey, firms that have begun to apply LPM, even in very limited ways, have already received benefits. When the survey asked “Which of the following 13 benefits has your firm realized from its project management effort?” every single benefit in their list had been realized by at least 20% of the group. The most common benefit was “More productive relationships with clients” (achieved by 62%).

The ALM survey concluded that:

LPM can help bring increased effectiveness, reduce wasted time, and manage client expectations... Law firms can overcome [the] hurdles by targeting initial efforts in areas that would be most receptive, incrementally rolling out initiatives, and getting experienced help. Those that can successfully implement LPM will find over time that they gain a competitive advantage.⁹

In our research on *Client Value and Law Firm Profitability*, 85% of law firm leaders said that firms that move more quickly in providing value will gain a competitive advantage. Several respondents described this as a matter of life and death:

I think the firms that are most effective are going to do well, and I don’t think everybody will survive. In the last several years, there have been several firms that went away. And I believe that’s going to continue.

⁸ Jim Hassett, *Client Value and Law Firm Profitability*, (LegalBizDev, 2013), 94

⁹ <http://www.almlegalintel.com/SurveyDescription.aspx?id=VSLYO4Oih00=&type=fEfgIaD+grg=>, 17

The way law firms deliver legal services to clients is undergoing a huge revolution. It's going to change before our eyes in the course of a very short period of time. And it's all being driven by clients who want to get value for their money.

I think the market's going to shake itself out. I think firms that can't deliver more value will fail.¹⁰

As the chair of another firm summed it up:

I believe that we're still in the beginning of the process. There are a number of famous economists who have talked about disruptive technologies and disruptive business processes. I think there's a lot of evidence out there that this profession is being subjected to those pressures. Five years from now, if I turn out to be wrong, that will be great. But if I'm right, then I have to believe that those firms that adapt more quickly will have a competitive advantage, because the firms that don't adapt quickly enough will be out of business.¹¹

DEFINING LPM BROADLY

Despite the clear need for LPM, there is still some confusion about exactly how to define the term. Of course, project management has long been used by other businesses to protect profits through predictability and efficiency. Their projects—from the design and production of a new line of jet engines to the acquisition and integration of a billion-dollar company—can reach nearly unimaginable levels of complexity, variability, and risk. Professions from engineering to investment banking have developed a rich and deep body of knowledge about how to manage projects on time and within budget. Legal project management adapts these proven techniques to the unique challenges of managing unpredictable legal matters and disputes.

By our definition, legal project management increases client satisfaction and firm profitability by applying proven techniques to improve the management of legal matters. Thus, we see LPM as an umbrella term that embraces a very wide range of management techniques, including pricing, communication, process improvement, and much more. It can be further broken down into the eight key issues listed in Table 1.

¹⁰ Hassett, *Client Value*, 199

¹¹ Hassett, *Client Value*, 199

Table 1: Eight key issues in LPM

Key Issue	Description
Set objectives and define scope	You must define your assumptions and specify exactly what is included in the assignment and what is not. It is often useful to specify certain important things that are not included.
Identify and schedule activities	After scope is clearly defined, break down a complex matter into smaller tasks and schedule them.
Assign tasks and manage the team	To maximize efficiency, the right people must be assigned to the right tasks, team members must understand the project's scope and their responsibilities, and performance must be monitored.
Plan and manage the budget	Estimating and controlling costs are a challenge in every profession, and this is the most critical area for many lawyers.
Assess risks to the budget and schedule	What can you do at the beginning of a matter to mitigate risks and increase the chances that work will be completed on time, within budget?
Manage quality	Most lawyers are very good at delivering high quality legal work. However, this becomes more challenging when schedules change and budgets get reduced.
Manage client communication and expectations	This is extremely important to clients and it is an area where many lawyers have room to improve. This section describes best practices, including using a RACI matrix to clarify who is Responsible, Accountable, Consulted, and Informed for each task.
Negotiate changes of scope	No matter how well lawyers manage legal matters, things often change. The issue here is deciding when and how to negotiate these changes with clients.

Others disagree. For example, the field of knowledge management (KM) identifies useful intellectual property created during past matters and then leverages that knowledge inside the firm through increased access and sharing. In some firms, LPM and KM are entirely separate departments. In others, LPM staff are part of the KM department or KM staff are part of the LPM department.

If a management technique can help lawyers accomplish their goals, we say it is part of LPM. We believe that hair splitting over what is and is not LPM can become just another excuse to avoid action. Law firms need to move as quickly as possible to the central problem addressed by LPM: What must we do today to meet client needs while remaining profitable?

Another example: personal time management is not mentioned in many project management courses and texts, nor is it listed in the index of the Project Management Institute's *Guide to the Project Management Body of Knowledge*, the bible of the field which is used to certify project managers in other industries. But for some lawyers, personal time management is a vitally important skill which can increase value and profitability. When we coach lawyers in LPM, it is often the first topic they need to focus on.

Like Barbara Boake and Rick Kathuria, the authors of *Project Management for Lawyers*, we believe that "project management is a tool box—choose only what you need to most effectively manage [each] project."¹² The key to success is to find the "low-hanging fruit," the management tactics that are most likely to help each individual to increase value and/or profitability.

By our definition, any lawyer who has ever planned a budget or managed a team has served as a legal project manager. But what was good project management for lawyers a few years ago is no longer good enough. Clients are now choosing law firms based on their ability to apply a more systematic and disciplined approach that delivers more value more quickly.

While there is widespread agreement that clients want LPM and that it pays off for firms, the field is so new that experts still disagree about exactly what should be included and excluded from its definition. These arguments have slowed LPM's progress, as seen in the remarks of this AmLaw 200 firm leader from our *Client Value* survey:

We were just at a board meeting last week where we were talking about whether we should do formalized project management training. My answer to that is obviously yes, we absolutely should. But first we need to agree on what legal project management is.¹³

I first became aware of the seriousness of this problem a few years ago when the director of professional development at an AmLaw 100 firm asked me to explain the differences between project management, process improvement, Six Sigma, and Lean. This was an extremely sophisticated client who had been researching this area for months, but she had heard so many different claims from competing consultants that she had trouble keeping them straight.

Process improvement, Six Sigma, and Lean have gotten a lot of headlines in the legal world as a result of Seyfarth Shaw's highly publicized success in using them to streamline work. All three approaches originated in the world of manufacturing.

Six Sigma is built around techniques Motorola developed to eliminate the causes of manufacturing defects and errors. Lean was developed by Toyota to increase manufacturing efficiency by eliminating the "seven wastes" (excess inventory, excess processing, overproduction, transportation, motion, waiting, and defects).

Process improvement typically starts by defining the exact steps that are required to perform a legal process. This includes looking at every process from the client's point of view, analyzing whether each step adds value for the client, and eliminating the steps that don't.

¹² Barbara Boake and Rick Kathuria, *Project Management for Lawyers* (Ark Group, 2011), 14

¹³ Hassett, *Client Value*, 89

Writing in *Law Technology*, Alan Cohen has noted that this traditional approach “can take weeks to create a map, but the result is a template that spells out the various phases of a matter—and an efficient way to do them.”¹⁴ If you consider the fact that Seyfarth has developed over 500 process maps, each of which took a team of lawyers and staff weeks to develop, you can see why *Six Sigma for Dummies* says the approach is “not for the faint of heart. It is intense and rigorous, and it entails a thorough inspection of the way everything is done.”¹⁵

In my book, *Legal Project Management, Pricing and Alternative Fee Arrangements*, I described how Seyfarth has spent more than 10 years and millions of dollars refining its system. They have trademarked the term SeyfarthLean and formed a separate company—SeyfarthLean® Consulting—as a wholly owned subsidiary which offers advice to law departments on how to work more efficiently.

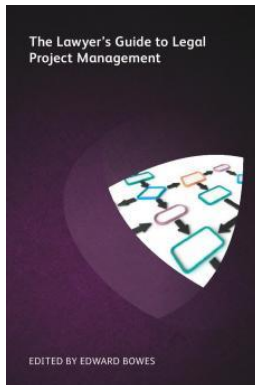
Given our broad definition of LPM, you will not be surprised to learn that we consider process improvement, Six Sigma, and Lean to be specialized approaches that fall under the more general umbrella term LPM. They are simply tools in the belt, to be used in some cases and ignored in others. And when they are used, we recommend always looking for simpler and more efficient approaches.

This article was adapted with permission from the fourth edition of the Legal Project Management Quick Reference Guide (copyright 2016, LegalBizDev). For more information, see <http://tinyurl.com/LPMbook> or call 800-49-TRAIN.

¹⁴ <http://www.dailyreportonline.com/id=1202566995546/How-six-big-law-firms-get-serious-about-legal-project-management>

¹⁵ Craig Gig, Neil Decal, and Stephen R. Covey, *Six Sigma for Dummies* (Wiley Publishing, 2005), 10

ABOUT THE BOOK



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Contents

- Case studies from two leading law firms on the implementation and take-up of LPM
- A complete overview of the founding principles of project management
- Expert analysis on how LPM can directly support, and be directly supported by, other law firm functions such as knowledge management
- Includes an overview on how LPM can be combined with process improvement to amplify benefits

Featuring case studies from:

- Seyfarth Shaw on how LPM has made an impact of client services
- Piper Smith Watton on encouraging fee-earner support for IT-based LPM systems

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