



An Introduction to Legal Project Management

Applying project management techniques, and employing project managers, to help control cost and ensure client satisfaction is now so well established in most industries that it is rarely commented on. Not so the legal services industry. Legal project management (LPM) is still a relatively new concept, and there are relatively few people employed as legal project managers (but the numbers are increasing). However, there is currently an awful lot of activity and investment in this area, especially within the top 100 law firms and new market entrants.

Antony Smith explains what LPM is and the part IT can play in its effective implementation

There have been just two books published which have as their central theme an explanation of what LPM is and how LPM techniques can be applied at law firms. Both authors are from the US, and US law firms were the first to advance the notion of LPM. The first book, written by Steven B. Levy, appeared in 2009. The book ('Legal Project Management') defines LPM as 'the application of concepts of project management to legal cases' and goes on to say that 'LPM is not about the practice of law, but the mechanics of that practice'.

Steven's book provided a good starting point but, as he would no doubt concede, things have moved on since 2009. A much more recent book ('Legal Project Management,

Pricing and Alternative Fee Arrangements', February 2013) has been written by Jim Hassett and I prefer the definition proposed there:

'Legal project management adapts proven management techniques to the legal profession to help lawyers achieve their business goals, including increasing client value and protecting profitability.'

It seems to me this wider definition is more reflective of what is happening in the UK legal services market at the moment. Many law firms (although they tend to be the larger ones) and new market entrants are at various stages of implementing a broad model of legal service delivery which involves:

- process improvement – streamlining all core support and legal delivery processes
- task automation – using IT systems, such as workflow, to automate and speed up standard tasks whenever possible
- pricing sophistication – applying a mix of pricing techniques (ranging from the billable hour to true value pricing) as appropriate to particular client and matter types
- project management – with the increasing focus on applying project management techniques to deliver legal services.

Despite the fact that there is a lot of investment being made in these areas at the moment,

there is still quite a way to go before LPM (in its broadest sense) becomes the default mode of operation. I have no doubt this will happen. Just as in the early days of legal IT some wondered whether legal IT would ever take off and would be worth the investment, so it is now with LPM. I was fortunate to be involved in the early days of commercial legal IT (late 1980s early 1990s) working with Richard Susskind and Martin Telfer at Masons and attending most SCL events at that time. It seemed glaringly obvious to the legal IT pioneers at that time (and if you were working in legal IT then, you were a pioneer!) that IT would become essential to the practice of law. I get the same feeling now with LPM. As with legal IT, I believe the rise of LPM is unstoppable. The issue for legal service providers is not whether they need to start the LPM journey – they do – but how they can make best progress given their resources and position in the marketplace.

The commercial drivers behind the rise of LPM have as their origins one ultimate source: the well-known demand by clients of all types for legal service providers to deliver 'more for less'. This demand in turn increases pressure on legal service providers to:

- become ever more responsive to client need
- reduce costs
- improve fee earner productivity
- manage risks better.

Many law firms in the USA, and a rapidly growing number in the UK, are finding that applying LPM principles can help achieve the above.

LPM Approaches

There is no 'one size fits all' LPM methodology however and, in any event, different legal market sectors will require slightly different approaches. The broad model outlined earlier in this article is not prescriptive, nor sequential; firms don't have to start with process improvements, for example. But where should a law firm start on its LPM journey? The general advice for those contemplating improving their process and project capability is, counter-intuitively perhaps, not to overanalyse: start where need appears most immediate, return on investment most likely and thereafter grow the LPM capability throughout the organisation incrementally.

My discussions with law firms in the UK which have started to implement LPM confirm US-based research which shows that, of all the potential benefits of applying LPM, being 'able to work more closely and productively with clients' is the factor most often cited. Commercial clients in particular appreciate a project based approach to legal service delivery and it seems that when they see evidence of this they are much more inclined to work more proactively with their external legal advisers. Some would say that this benefit alone makes LPM a worthwhile endeavour.

Firms which have implemented LPM also report that they are indeed better able to manage risks, reduce costs and improve realisation rates. They also acquire greater

confidence regards pricing strategies. This last point has been another big driver behind the increased adoption of LPM and it arises directly from being more responsive to client need.

LPM and the Management of AFAs

As more clients become disenchanted with the billable hour – and making their unhappiness known – law firms have had to respond by devising more innovative pricing arrangements, the so-called 'alternative' fee arrangements (AFAs). The billable hour is still the default mode of pricing and billing work, but AFA arrangements are steadily increasing in importance. It is estimated that some form of AFAs now account for between 15% and 20% of the total value of legal work done.

LPM techniques can help firms better manage their AFAs. To illustrate, consider a basic fixed price AFA (there all kinds of pricing variants falling within the ambit of AFAs). After agreeing a fixed price with a client, 'all' a lawyer has to do is make sure matters are completed satisfactorily within cost so as to leave the lawyer with a reasonable profit. The essence of applied LPM is that it should ensure lawyers:

- scope the extent of the work to be done, and clearly agree that scope with the client
- plan the delivery of the work, including assigning appropriate resources
- execute the work as planned
- monitor how the work is progressing
- keep all stakeholders (especially the client) fully informed.

Every project manager will know that, no matter how well planned a project is at the

outset, unforeseen events can occur which require changes to the original scope and plan. Traditionally, the means of dealing with this is by use of a change control procedure. The concept of change control to manage scope change has assumed particular importance in light of AFAs. If there is a process whereby scope change is flagged up, discussed and the means of dealing with the change agreed with the client then this should help everyone feel more relaxed about the AFA in question. Of central importance here is the acknowledgement that prices may need to be re-quoted in light of any agreed change in scope.

It follows that AFAs should be clearly recorded and documented. However, there is an obvious potential issue with change control procedures in the context of supplying legal services. Lawyers by nature and training have a tendency to go for detailed definitions and robust interpretation of wording. I would suggest that arguing with clients over minutiae of an AFA agreement is not a good strategy for a lawyers' long-term success. Hence common sense and sensitivity should be applied as counterweight to an overly legalistic interpretation of the agreement and what amounts to 'change of scope' in any given set of circumstances.

Even better in my view would be for legal teams to embrace an 'Agile' mind-set and supporting practices. Agile encourages not only constant communication between clients and the delivery team, but the practice of 'show and tell' where clients can see what the team is doing and where they are up to in the development cycle. It seems to me that this

approach has the benefit of reducing further the potential for unwelcome surprises so far as the client is concerned, and would lessen the need for detailed project and pricing agreement.

LPM, Pricing and Process Improvement

How to set the alternative fees? Clients are, rightly in my view, inclined to be sceptical where they believe the proposed fee has been arrived at by the lawyer simply by estimating the numbers of likely hours and then multiplying this by the standard hourly rate. In the commercial sector in particular, more clients want to see evidence of increased 'value' delivered. The consumer market is clearly more price sensitive but consumers too are not wholly blind to different combinations of quality, expertise and prices quoted. The problem for lawyers is how to convince their clients that they can deliver services of value as well as being priced competitively.

Process improvements have a two-fold role to play here. Streamlined processes, created by means of value stream mapping whereby various kinds of 'waste' are much reduced, can allow legal services to be delivered at lower cost. Paradoxically perhaps, they can also allow lawyers to look at ways of being more creative in their pricing and overall service offerings. Confidence about knowing what is actually involved in core legal service delivery and its cost allows lawyers to take a step back and consider how they can best meet individual client need. This may lead to consideration about whether they can bundle up or disaggregate some of the legal services on offer,



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or perhaps even supplement these core legal services with a more rounded commercial proposal. For example, they may wish to offer advice about HR best practices in addition to standard core legal work in connection with employment issues. However the service is presented and delivered, it needs to be priced appropriately, reflecting the value the client places on those services. Ultimately, such 'value pricing' (as it has come to be termed) is a reflection of how well lawyers understand their clients.

Confident pricing is a result of many factors, one of the most important of which, as referred to above, is being able

to fully understand the real cost of service delivery. This is the baseline starting point. Thereafter a number of 'what-if' scenarios can be developed depending on the pricing strategy chosen.

Data Analytics and Adapting Software

In some respects lawyers are lucky here. All those years of recording activity in units of six minutes, each set against specific charge codes, should provide a really solid dataset to examine and from which to develop what-if scenarios. Some firms may find that the core set of financial reports included in their PMS sufficient for this

purpose, although experience suggests to me that most will want to create their own reports to supplement these. This can be taken to a further level of sophistication by implementing data analytics software, ie software which sits on top of a dataset which has the functionality to 'slice and dice' in any number of ways.

Full disclosure: I used to work for LexisNexis which produces Redwood Analytics, the market leader in the legal data analytics field. To see software as sophisticated as Redwood Analytics in action against a sound dataset is an impressive sight: 'slice and dice' does not begin to do justice to its functionality. The other big player in the legal IT market, Thomson Reuters, has a product aimed even more explicitly at assisting legal project management efforts. Thomson Reuters' product Engage is a matter planning, management and forecasting tool and this too appears a very impressive product.

Software tools such as these are clearly designed to cater for the higher end of LPM and pricing sophistication but firms can (and should) be able to make much greater use of their existing software to advance their LPM efforts. The legal IT sector is awash with lots of excellent workflow, practice management and process design products. I am sure that, with just a little applied creativity, firms can leverage their existing software capability to support more innovative management and pricing practices.

Experienced workflow designers should be allowed a wry smile at this point. I suspect that many workflow designers have favourite tales of frustration whereby law firms have in the

past simply wanted workflows to reflect existing practices rather than fully embrace the opportunity to implement more efficient, effective and innovative processes. As the saying goes, you can lead a horse to water, but you cannot make it drink. At least more law firms are now drinking from the pool of process improvement and automation and consequently workflow appears to be moving beyond its traditional confinement to high volume, low value work.

Although I do believe that firms wishing to implement LPM fully would do well in the short term to leverage their existing software, it is also becoming apparent that legal IT vendors are positioning more of their products to assist with LPM activity. Not all products are accompanied by the overt LPM marketing which accompanies Engage, but references to legal software systems helping with 'resource allocation', 'budgeting' and 'matter planning' are becoming much more common. All of these are tasks which typically form part of a successful LPM approach to legal service delivery. Legal IT vendors appreciate that LPM is becoming much more widespread – because law firm clients are demanding the results which flow from it. ●



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