



BREAKING OUT

New applications and horizons for legal project management

By Pamela H. Woldow

As the LPM wave continues to rise upward through the legal profession, a small group of visionary firms have realized that LPM is far more than simply a mere pricing or matter management tool. From business awareness and client integration to a groundbreaking China-Australia merger, find out how LPM is growing in new directions and dimensions every day.

Primarily as a consequence of the global financial crisis, growing numbers of general counsel and chief legal officers have been pressing their outside counsel, delivering a single, powerful message:

*“Listen up!
You simply must do a better job
of understanding our businesses
and responding to our financial pressures!”*

Recently, we have seen a surge in “convergence programs” that reduce the number of outside law firms providing services to the client. RFPs have developed a more aggressive tone: rather than asking firms what they would charge for certain services, clients instead are setting limits on what they are

willing to pay. Most clients are asking for rate discounts, with many pushing for fixed-fee or flat-fee arrangements that must be managed efficiently to preserve law firm profitability.

The process of scoping engagements and negotiating fees has become tougher and more sophisticated. Clients that once accepted “wet finger estimates” now engage in protracted haggling over project parameters, staffing, timeframes, risks, and particularly budgets. In many cases, the client is bringing the procurement department into the outside counsel selection process,

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pencils sharpened. These are jarring times for firms accustomed to a financial free rein.

While they exert more pressure on pricing, however, clients also are pushing for other changes in legal service delivery, including:

- More efficiency;
- Greater predictability of legal spend;
- Better performance metrics, particularly that all-important actual-to-budget figure; and
- Improved communication and collaboration with the client at all stages of legal projects.

At this point, law firms ought to have received the message loud and clear: *Be more attuned and responsive to our needs, or we'll take our business elsewhere.*

A GROWING STANDARD

This confluence of forces has fueled a huge boom in legal project management (LPM), a viral trend that has now moved well beyond early first-adopter law firms, burgeoning into a galloping global movement. Law firms, obviously, are not thrilled about abandoning the status quo of charging clients what they want and raising rates at will; nonetheless, law firm leaders are biting the bullet, promising clients they will implement LPM initiatives to

bring greater discipline to their work.

The challenge, of course, is how to deliver on promises of greater efficiency while somehow maintaining acceptable levels of profitability. The traditional drivers of law firm profit — inefficient staffing, hourly-bill maximizing, and new-lawyer training on the client's dime — no longer fly with cost-conscious clients.

LPM is emerging as a solution to address this tension between law firm profitability and efficient client service. Today, as LPM enjoys a healthy adolescence, many law firm leaders are driving firm efforts to develop sophisticated LPM toolboxes to rationalize and streamline legal service delivery, to adopt efficient processes, procedures and technologies, and to train their troops.

MORE THAN JUST PRICING

However, even though law firm leadership has embraced LPM, a vast number of rank-and-file partners, practice group leaders and client team leaders have not gotten religion. To the extent they buy into LPM, it is solely to bring more rigor to scoping, pricing and budgeting legal engagements. The GC of a global financial services institution that works with hundreds of firms puts it succinctly: “As far as we can tell, the only thing firms are using LPM for is pricing.”

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is far less interest in collaborating with their clients to assess and address their needs. These lawyers' strongest incentive is short-term single-matter profitability, rather than long-term win-win law firm-client relationships. The rest of the LPM toolbox often goes largely ignored.

This is a massive, ongoing, lost opportunity for law firms. Client satisfaction surveys consistently sound the same note: clients' loudest gripes center on poor law firm-client communication, law firm unresponsiveness, and, above all, law firms' failure to understand clients' businesses.

Clients want lawyers to do more than address their legal needs; they want them fully attuned to their long-term business strategies, bringing a client-centric industry focus to analyze their competitive environment, pressures and priorities. A 2011 CLO survey once again highlighted what chief legal officers have been saying for years: “By far the most effective way for law firms to market to us is to understand our business.”

CLIENT GAME-CHANGERS

Clients were constantly telling us at Edge how important it was for outside counsel to fully understand their businesses, priorities and challenges. Accordingly, in 2010, we began recommending the inclusion of a client representative in law firm LPM training workshops.

Almost uniformly, law firms resisted this idea. They worried that joint training would reveal their LPM efforts to be relatively immature works-in-progress. But the clients we surveyed dismissed this concern: they under-

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Pilot client-law firm workshops were real eye-openers. By embedding a client representative in LPM training, remarkable changes occurred in the behaviors and attitudes of law firm lawyers. Not only did the presence of client participants keep law firm participants on their toes, it also resulted in the collaborative creation of real-life “best practices” that broke down traditional communication and collaboration barriers between the client service team and the client.

THE AUSTRALIAN EXPERIENCE

For a perfect example of the power of client integration into the LPM process, we need to go to Australia. In 2011, one of Australia’s premier law

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firms, Mallesons Stephen Jaques (now King & Wood Mallesons) committed to an intensive LPM initiative, the country’s first, to address competitors’ challenges to its market share.

Unlike many law firms, which were primarily concerned with the purely internal application of LPM principles, Mallesons focused its initial LPM implementation efforts squarely on its clients. Instead of seeing LPM merely as a pricing and matter management tool, the firm took the larger view of its potential and asked: “How can we use LPM to better understand and serve our clients?”

By asking that question, Mallesons opened the door to a unique approach to its LPM workshops, working side by side with its clients to build solutions that fit the clients’ needs and priorities. Instead of settling for an inward-looking session occupied mainly with pricing and the management of legal work, Mallesons’ LPM training workshops focused on the most important part of the picture: the client.

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THE CLIENT OPPORTUNITY

Mallesons knew that this client relations opportunity required bespoke content keyed to the issues, strains and opportunities posed by current client business issues and the Australian legal and financial climate. Accordingly, workshop preparation included in-depth interviews of both Mallesons and client lawyers, which led to workshop activities and materials keyed to the types of work the client teams were performing.



The actual workshops proved both challenging and rewarding, because they were essentially hybrids: workshop facilitators had to strike a balance between leading training in practical LPM principles and making time for intense “free swim” discussions about a broad spectrum of client relations and service delivery topics. The degree of candor was astonishing, as the gulf between “we” and “they” was bridged and the participants worked to identify common ground and practical solutions.

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In our post-workshop debriefs with the Mallesons lawyers, they agreed that while it was invaluable to get to know the clients and their issues better, the real challenge was to figure out how to leverage those insights into more business, better service and more effective communication going forward. Several months after training, reports from the front lines remain positive: eyes that were opened remain open, doors that were opened continue to usher in new agendas.

WHAT COMES NEXT?

With the recent approval by partners at Mallesons and King & Wood, a 1,000-lawyer Chinese firm, to create a new legal entity, King & Wood Mallesons will be far more than a unique global brand. It must also both develop a coordinated and collaborative culture and create a unified

approach to quality service delivery to a vastly expanded and highly-diverse set of clients.

LPM offers the potential to do for the merged entity what it did in Mallesons’ four client-intensive Australian workshops: provide a rational platform and a set of coherent best practices that can bridge the perceptions and operations of diverse stakeholders.

Accordingly, beyond its value for helping the combined entity to increase operational efficiency and service quality, LPM can also act as a lever for cultural integration. If effectively implemented over the long term, LPM will serve as a “communication engine” of almost unimaginable impact, to both the firm’s and its clients’ benefit.

LPM as a merger integration tool? It’s just one more example of how this remarkable management approach can be so much more than a mere “pricing facilitator.” LPM’s biggest rewards will go to those firms who envision its use on the widest horizons. •



Transformative innovation

***Pamela Woldow** has earned global recognition for her pioneering approaches to transforming today’s law firm-client relationships. Drawing on her deep expertise in Legal Project Management, Convergence Programs, Alternative Fee Arrangements, RFPs and law firm selection, Pam helps law firm lawyers work more profitably while also providing better value to clients, and she counsels corporate legal departments in containing costs and creating stronger alliances with outside counsel.*

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