

Bottom-Line Management

FOR LAW FIRMS

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QUOTE OF THE MONTH

" ... IF YOU CAN'T RECOGNIZE THAT PEOPLE ARE AN ASSET, NOT JUST AN EXPENSE ITEM WHICH REDUCES THE BOTTOM LINE, THE RESULT MAY WELL BE GREATLY INCREASED TURNOVER. TURNOVER CAN BE VERY EXPENSIVE."

— ELLEN FREEDMAN
from "Take Care of Your Firm's Most Valuable Asset"
(inside page 2)

PROJECT MANAGEMENT — CLIENTS DEMAND IT

By Steven A. Lauer

Clients are increasingly sensitive to the costs of legal service. They are focusing on those expenses as they are on all other expenses in an effort to minimize the costs of their business operations.

Several trends demonstrate this. Corporate clients are demanding lower fees from their counsel. They are using requests for proposals, beauty contests and other selection methods to negotiate different fee arrangements. Their goals are lower fees. They also want control of all costs of legal service, however, not just the fees paid their counsel. Perhaps most of all, they want predictability of the cost of legal service.

In order to achieve those goals, clients are beginning to experiment with several different approaches. The central thrust of those efforts (certainly of many of them) is to make arrangements by which outside counsel share some of the risk that costs will exceed an agreed-upon amount.

What are some of those approaches? Corporate clients are trying to apply alternative fee arrangements to their legal work. They are pushing law firms to "unbundle" at least some of the services that are related to those firms' legal counseling function and that firms have tradi-

tionally provided as part of their overall service. Examples of such services are document management, legal research and the use of temporary staff. In many cases, clients are taking the initiative by dealing directly with providers of those services and arranging for the services to be available for the clients' work even when their law firms are involved.

Clients are also expressing concern over various billing practices that gained notoriety several years ago. In particular, excessive staffing and administrative surcharges on out-of-pocket expenses have been roundly criticized. They have even been the subjects of ethics opinions.

The result of these trends is that clients expect lawyers to *manage* the legal work as much as complete it. They expect lawyers to be project managers. Counsel are expected to choreograph the efforts of disparate groups — temporary attorneys from an employment service, researchers working through a legal research company, and document-management teams from another organization, as examples — in order to deliver the same high-quality legal service that the clients have been receiving, but at a lower cost.

This effort by clients to have their outside firms "unbundle" their legal services is a benefit for smaller law firms and sole

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PROJECT ... continued from cover

practitioners. They will be able to compete more easily with larger firms because they will be able to make proposals to handle work using the resources of other lawyers, other companies and different services that are not parts of their own firms. Clients have expressed an interest in such "virtual" firms to service their needs and the flexibility thus represented will be viewed as an asset.

This project-management role is not a familiar one for most attorneys. Many lawyers attended law school rather than business or other graduate schools in order to enjoy the intellectual challenge of legal practice. In law school and the day-to-day world of lawyers, they developed a solitary work style. While many lawyers confer about the issues they address, they have been trained to tackle the work and problems alone, in the library or in an office. Teamwork was not a highly valued trait in their training regimen.

What is project management?

How can lawyers apply a project-management approach? How does it differ from their traditional method? What does it offer them? A project-management approach requires that the attorney devote more effort than he or she typically has to planning the work and determining what steps must be completed, and in what order, in order to accomplish the goals of the engagement. Further, it requires an understanding of the cost components of the work. By combining these analyses, counsel is able to provide the client greater clarity as to the financial impact of the work.

Essentially, project planning requires that you start with the goals and work backwards. It requires that you focus on the smallest components of the work in order to understand the relationships among the different pieces of the tasks needed to complete the assignment. Understanding where you want to be, you methodically plan the steps necessary to get there. Once you have identi-

fied the needed steps, you can determine what expertise and capabilities are needed to accomplish each of them. The sequence in which those talents will be required is an important element of a project plan. The assumptions on which the plan is based must be articulated. (In terms of litigation, for example, is minimal document discovery likely? Will two depositions suffice?)

"Surveys also suggest significant gaps in the understanding and expectations held by clients and counsel vis-à-vis their relationship."

When you've broken the work down into its smallest constituent parts and determined what level of expertise is appropriate for each part, you can also assign to each of those parts a cost factor. Those cost elements will aggregate the total anticipated cost of the work.

Another important talent that comes into play is the ability to marshal different individuals' talents so as to complete the work efficiently and effectively. Since clients are focused more and more on the need for efficiency, those attorneys who are able to satisfy that need will prosper; those who are not, will not. With the increasing emphasis by clients on pooling the expertise of independent organizations (such as temporary staffing agencies, document-management companies and legal research firms), this talent is more important for attorneys than it has ever been. This is particularly true in terms of keeping a schedule intact and maximizing the impact that those differing specialties will have on the final, combined work product.

Think of it as serving as the quarterback on an all-star football team. The

individual players are all expert at their respective roles and the aggregation of talent on that team usually exceeds that of any single team in the league. They don't usually play as a team, however, throughout a season or through several seasons. Unlike members of one team, they don't have the opportunity to become familiar with each other's talents and idiosyncrasies, sharing strategies and a playbook. This puts a premium on the ability of the team leader (the "quarterback") to meld those talents effectively on the spot.

The most critical step — defining the client's goals

The first step in this process — defining the client's goals — may be the most critical step. It may also be the step with the greatest benefit for both client and counsel. There are multiple signs that the two are not communicating very well. Client dissatisfaction with fees, efforts by clients to require budgets for legal work, and clients' attempts to introduce more business-like approaches to the practice of law all reflect client dismay with the current state of affairs. Surveys also suggest significant gaps in the understanding and expectations held by clients and counsel vis-à-vis their relationship. In order to understand a client's goals (and the goal may not always be the obvious one that comes to mind immediately, such as winning a case), a firm must initiate (if the client does not do so) a discussion with the client about desired objectives. This should enable the firm to satisfy those goals more fully than it would have been able to do without that discussion. Essentially, that dialogue should cause the parties to achieve a consensus that is sometimes missing.

With the goals in mind, the firm can plot out the process it will need to follow in order to achieve them effectively and efficiently. The attorneys should be able to identify the assumptions that underlie the plan of attack. The ele-

ENVIRONMENTALLY SOUND ENERGY CONSUMPTION: A CASE STUDY

By John S. Kirk

This article focuses on a few relatively small steps that our firm took to conserve energy, reduce emissions and save money. From a direct cost perspective, the following may appeal only to firms that own their own space or have a net lease. However, taken collectively, the economic and environmental benefits of the "Green Lights" and "Energy Star" programs should appeal to full service tenants and landlords, as upgrades and conversions should ultimately reduce operating costs and allow building owners to offer more attractive lease rates while demonstrating environmental sensitivity.

As law office managers, we must be on constant watch for ways to control costs. When looking around for solutions, in addition to reviewing compensation and benefits, supplies, library, building and lease, and other operating costs, make sure that you also look up — at the lights.

Manko, Gold & Katcher, LLP is a boutique firm, concentrating our practice in environmental and land use matters. As such, we are constantly aware of the need to conserve natural resources and reduce pollutants, so practicing on the "green" side of the law is very much a part of our culture. In the past, going "green" might have implied increased costs, purchasing headaches and a willingness to settle for mediocre quality all in the pursuit of environmental correctness. However, such is not the case now, and recycling is just the tip of the iceberg.

In recent years, the US Environmental Protection Agency (EPA) has been tout-

ing its Green Lights and Energy Star programs (see sidebar for EPA contact information). The Green Lights program primarily targets facility lighting. By using new, state-of-the-art fixtures, ballasts and bulbs, light output can be improved with fewer bulbs and less cost. The Energy Star program goes a few steps beyond — to HVAC systems, office equipment (PCS, fax and copy machines), building insulation and the like.

Our firm learned about the Green Lights program in 1994. The program was attractive to us for two reasons. First, it fit our culture. Secondly, ours is a net lease, and we pay directly for our electrical energy consumption. After a brief review, we decided to conduct a facility audit and evaluate the benefits of an office-wide lighting conversion. Having approximately 18,600 fully occupied square feet, we were presented with the challenge of retrofitting over 250 fluorescent light fixtures without significantly impacting our daily routine. With the assistance of Philadelphia Lighting Maintenance Company ("PLM") and EPA's resource kit, we took inventory, made some calculations on time and project cost, and projected a 2.5 year pay-back period to recover the lighting upgrade costs. The numbers and ROI looked promising, and PLM's conversion schedule promised minimal disruption, so the project got the "green light."

PLM arrived late one afternoon and, working over 3 consecutive nights, retrofitted our light fixtures. The conversion included the removal of four 40-watt, T-12 lamps from each fixture, replacing the magnetic ballasts with extended output ballasts, adding reflec-

ments of the plan will require the application of different talents, experience, and other qualities, which might all be in one firm, or diffused among several firms or organizations. Responsibilities can then be assigned to the appropriate persons, at the appropriate levels of experience and capability.

With a well-laid-out plan of action, the lawyers and others involved in achieving the client's goals will be able to reach that end point with the least disruption and the fewest unanticipated hurdles. Even the unexpected developments that do arise can be overcome more easily since they can be viewed in the context of which portion of the plan has been finished, what remains to be accomplished and what can be done to meet the new exigencies created by the unforeseen event.

Advantages of a project management approach

What are the possible results of applying a project-management approach to legal work? An improved understanding between client and counsel should ensue from the fuller discussion of the former's goals for the assignment. Counsel will become more cost-focused, which in turn addresses a common complaint from clients. Greater ability on the part of counsel to project costs (because they have a better understanding of the subordinate elements of the work and the relationships among those elements) will enable them to propose alternative fee arrangements more confidently and in ways that are more responsive to clients' goals. Finally, and most importantly, they should enjoy, and benefit from, improved client satisfaction. **S**

STEVEN A. LAUER is a principal of Lauer & Associates, L.L.C. For eight years previous, he was an Assistant General Counsel of The Prudential Insurance Company of America. He can be reached at (973) 763-6340.

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