

LAW FIRM SOLUTIONS MARCH 2012: STRATEGIES AND SOLUTIONS FOR CONTINUING TO GROW YOUR FIRM

LEGAL PROJECT MANAGEMENT COULD BE SIGNIFICANT FOR LAW FIRMS

Legal Project Management. A new buzzword or a meaningful initiative? If a firm is serious about instituting alternative fee arrangements, realizing profit on matters, and retaining clients, then it is a meaningful initiative.

First, let's define project management. It's a *temporary* group activity designed to produce a unique product, service or result. A project team often includes people who don't usually work together and may come from different organizations and across multiple geographies and disciplines. Projects may be as complex as building a bridge or expanding a company's sales into new territories. Project management always has been practiced, but it emerged as a discipline about 50 years ago. Project Management Institute is the leading organization for professionals, offering certifications and training for its 500,000 members. (www.pmi.org.)

Project management processes fall into five groups:

- Initiating
- Planning
- Executing
- Monitoring and Controlling
- Closing

All are managed to effectively and efficiently deliver on-time, on-budget results.

So, what is *legal* project management (LPM?) Can you apply project management disciplines to the practice of law? Should you?

LPM Differs From and Is the Same as Other Project Management

LPM is not software. It is the systemization of process. It builds on the disciplines of project management to control and manage legal cases or matters. It is the management of *matters*, not management of the substantive legal work. The people who provide LPM are the lead attorneys.

LPM differs from project management in other disciplines due to a couple of factors. First, the legal project manager is faced with an opposing counsel who is working diligently to sabotage his or her efforts. Second, at many steps in the matter, a lawyer's judgment is required to offer greater chances of success. Therefore, flexibility should be built into the project plan. Nevertheless, LPM can and should be pursued by lawyers and law firms. It offers significant competitive advantage.

As in other professions and industries, LPM requires considerable up-front planning time. At the beginning of a matter, the lawyer must break each matter down into steps that are prioritized, assigned, calendared and monitored. The objective is to document the steps to be taken, by whom, by when, and at what cost.

The steps in legal project management are:

- Initiation of Project – a matter is received, and the lawyer and client agree on objectives, scope and value of services.
- Definition of Project – identifying all parties to the matter, skills and talents needed, timetables, etc.
- Planning – creating detailed plan of who, what, when, how, where, with specific timeframes. It is best to include the client in planning.
- Execution – Including monitoring and control
- Closure – The project is completed and a detailed review is conducted.

Each step contains priorities, assignments, due dates, and monitoring of scheduled benchmarks. If circumstances dictate changes, those changes are incorporated into the plan and the plan is revamped.

With accountability and scheduled monitoring built into the process from the beginning, the matter is handled more efficiently, on schedule, and on budget. As the lawyer gains experience in LPM, efficiencies drive costs down and quality and profits up.

Part of the success of LPM is client participation. If you include your client in the process planning and landmarks, your work becomes more transparent and your client relationship is strengthened. Strong and predictable avenues of client communication are a hallmark of legal project management.

It should be noted that legal project management is focused on monitoring legal work rather than executing it. It requires management skills that are different from legal skills.

LPM Requires Rewards on Profit, Not Billable Hours

In the traditional law firm, billable hours are rewarded. Devoting time to plan, coordinate and monitor to the degree necessary for LPM is inconsistent with the traditional model. Efficiency is the opposite of trying for more billable hours, as fewer billable hours should result. To counter this contradiction, the firm must re-vamp its reward system to reward efficiency, profit on individual matters, and client satisfaction and loyalty.

Legal project management is increasingly common, particularly for law firms working with alternative fee arrangements (AFA). Many law firms report that AFA's do not yield the same level of profit as billable hour arrangements. Yet, clients increasingly push for predictable, consistent fees that they can budget – fixed or flat fees, cost limits, and perhaps success bonuses. Further, many law departments are embracing LPM as a means to controlling internal costs.

LPM is an answer to that dilemma. LPM is an excellent tool for adoption by law firms. It could significantly change how many law firms practice and how they reward lawyers.

INITIATIVES TO CONSIDER FOR COPING SUCCESSFULLY WITH CHANGES

The following thoughts are offered as potential considerations for your firm in light of changes to the profession.

- *Utilize outsourcing whenever practical.*
- *Pursue legal project management training for lawyers.*
- *Register with on-line legal services providers to offer your services.*
- *Assemble virtual legal office teams for matters that include lawyers, experts, investigators, and other disciplines.*
- *Proactively pursue alternative fees with clients.*
- *Build better expertise at establishing alternative fees.*
- *Revamp rewards structure to emphasize matter management and profitability.*
- *Establish metrics for better analyzing and reporting profitability by matter.*
- *Take a hard look at unproductive and under-productive partners and associates. Make cuts as necessary to improve profits and firmwide productivity. Fewer equity partners is expected to be a permanent fixture in the legal profession.*
- *Look at any lateral hires and mergers through a strong microscopic examination of productivity and profitability.*
- *Initiate strong client feedback programs.*
- *Utilize contract and part-time lawyers whenever possible and practical.*
- *Educate all partners about changes in the profession. Then, gather all partners to brainstorm innovations to your practice. Consider including senior associates and other staff in this process.*
- *Pursue building nationally recognized niches. Such niches can be impervious to many of the changes.*

COMPETITION INTENSIFIES FROM NONTRADITIONAL SOURCES

You probably experienced a vague sense of disquiet or even foreboding when you first heard a LegalZoom advertisement. Then, you probably shrugged and thought, "It won't affect my practice." However, new developments in the profession may mean that your sense of foreboding was entirely justified. Nontraditional sources are starting to become more of a threat to the traditional legal community.

Late last year, Thomson Reuters acquired Pangea3, the premier legal process outsourcing (LPO) firm in India. Pangea3 now has opened an office in Dallas, Texas. According to the Thomson Reuters press release, Pangea3's client base includes Am Law 250 law firms and some of the world's largest financial services, pharmaceutical, healthcare, food and beverage, technology and consumer goods companies.

The firm offers a variety of services organized into four distinct lines of business including legal document review; corporate transactions; intellectual property; and risk management and compliance. Legal process outsourcing is growing at 20 percent annually, with yearly revenue of about \$1 billion.

With its Dallas office, Pangea3 is poised to expand throughout the U.S. and potentially establish a virtual legal office for consumer services.

Elsewhere on the global scene, law firms in England and Wales will be able to accept outside investors beginning this October. (See article below.) It is expected that these Alternative Business Structures will lead to partnerships among financial and legal organizations.

Meanwhile, right here at home, Google Ventures and August Capital invested \$18.5 million in RocketLawyer, a self-help site providing legal documents generated through their document assembly system and access to lawyers in their database if legal advice is needed to complete the documents.

RocketLawyer founder Charley Moore stated, "Basic legal documents that people create on their own, can and should be free. On top of that, however, there are a series of more complicated processes around working with a real lawyer online that are tremendously valuable to businesses and families alike. We focus on delivering a great free experience, so that people can do a lot for almost nothing, with the knowledge that everyone has a lifetime of legal issues and so we can also build a very profitable business over the long term while still giving a lot of value for free to users day to day." Moore says the company has more than 15 million startup and small business clients.

It's not just competition from outsourcing and virtual law offices. The personal injury law firm Jacoby & Meyers filed suit in an effort to overturn the ban on non-lawyer ownership of law firms. The firm is challenging bans in New York, New Jersey and Connecticut.

In North Carolina, a state senator has introduced a bill which would allow non-lawyers to own up to 49 percent of a law firm.

Meanwhile, the American Bar Association Commission on Ethics 20/20 has grappled since 2009 with how advances in technology are changing the legal profession through outsourcing, foreign lawyers practicing in the U.S., advertising, and client data confidentiality. Outside ownership also is under discussion.

ALTERNATIVE BUSINESS STRUCTURES LAUNCHED IN ENGLAND AND WALES

Starting October 6, 2011, law firms in England and Wales are now able to raise external capital through Alternative Business Structures (ABS). ABS will allow law firms to sell part (up to 100%) of their business to investors and they do not have to be lawyers.

It's not just ownership that is affected. Under the U.K.'s Legal Services Act, the practices of most lawyers and law firms operating in England and Wales will be subject to a new regulator – the Solicitors Regulation Authority (SRA). The new regulations are designed around "Outcomes Focused Regulation", meaning an obligation to achieve certain broadly framed "outcomes" instead of setting out specific rules of conduct for lawyers and law firms to follow. Law firms will be obliged to demonstrate to the regulators that they have achieved the outcomes specified in the regulations. Further, it is not just law firms that will be regulated – the rules also apply to individual lawyers.

By March 2012, law firms will be required to designate a Compliance Officer for Legal Practice (COLP) and a Compliance Officer for Finance and Administration (COFA). The COFA is limited to oversight of client

accounts. The COLP will oversee a firm's policies and procedures to assure compliance with the new regulations.

The reach of the regulatory overhaul of law firms operating in England and Wales will extend to U.S. firms with offices in those countries.

HOW OUR CPA LITIGATION EXPERTS CAN HELP YOUR CASE

In any case involving financial facts and issues, a savvy lawyer retains an accounting expert. There is an increasing use of accountants as consultants by lawyers is partially due to the increasing number of matters involving financial disputes, the increasing complexity of financial transactions, and the importance in many matters of relevant tax laws.

An accounting litigation expert can assess financial results of various strategies, help formulate strategies, and determine tax implications.

Some of the areas where an experienced CPA might assist lawyers in matters involving financial facts and issues are:

- Assisting with drafting document requests to ensure that the appropriate financial documents are sought using the correct nomenclature.
- Assisting in preparing the client for document production, and assessing contents of requested documents and how they may affect your case.
- Reviewing the other side's document production.
- Helping prepare for and helping take depositions. For example, the other side may present witnesses with financial backgrounds who can be interrogated more effectively with precise questions using the exact wording of their professional language and the correct terms.
- Helping prepare the lawyer's own witnesses for their depositions, probing vulnerable areas and anticipating troublesome questions.
- Assisting at trial during testimony of all accounting-related witnesses and supplying the lawyer with critical and objective comments.
- Testifying in depositions and at trial, helping the trier of fact to better understand the issues involved.
- Preparing exhibits that clarify and simplify the financial facts of the case.

Ask About Our Litigation Experts' Qualifications

The increasing use by lawyers of CPA litigation experts also is due to the special qualifications and experience many CPAs have obtained in the particular field of litigation consulting services.

We would be pleased to acquaint you with the experience and qualifications of our litigation consulting team members. We strictly adhere to the principles that we **assist** and **support** a lawyer. The lawyer is the boss and determines strategy.

SPOTLIGHT ON MP&S

MP&S ELECTS NEW MANAGING PARTNER

Harry Moehringer has been elected Managing Partner of the firm. Mr. Moehringer will lead MP&S along with fellow Managing Partner Mark Levenfus.

Prior to becoming Managing Partner, he served as the Partner-in-Charge of the firm's extensive real estate practice. Mr. Moehringer will continue his involvement with key clients.

NEW REAL ESTATE GROUP LEADER

William Jennings has been appointed Partner-in-Charge of the Real Estate Group at MP&S. With a particular interest in low-income housing, he has developed strong relationships with government agencies, frequently meeting with members of Congress and the Secretary of Housing and Urban Development.

VAULT.COM RANKS MP&S AMONG NATION'S TOP 20 ACCOUNTING FIRMS

MP&S ranked number 19 in the Vault Accounting 50 for 2012, Vault.com's **annual survey of the top 75 accounting firms** in the US based on their Accounting Today rankings. This rating reflects both the market's recognition of the firm's increased prestige within the industry and staff satisfaction. The survey measures overall industry prestige and quality of life variables for employees.

INCREASING BUSINESS CASH FLOW WITH AN ESOP

In the current economic environment, business owners are searching for strategies to increase their available cash flow. In his article, co-authored with Robert B. Danziger, Esq and Jay Fenster, Esq., MP&S Partner Ron Nash notes that this becomes critical when the business owner, struggling to find capital to expand his business, must then find the resources to pay taxes on his business income. This perpetual burden on cash flow can be reduced, almost to zero, with proper planning. The full article can be found in the Library on the MP&S website at www.markspaneth.com.

MP&S JOINS MORISON INTERNATIONAL

MP&S is committed to providing our clients with high-quality professional services, no matter where their business takes them. This is facilitated by our membership in Morison International (MI). MI is a global association of leading independent accounting and consulting firms. It serves clients with complex needs across multiple jurisdictions and continents. MI provides high-quality, full-service member firms worldwide with the ability to meet the cross-border needs of the most complex business models.

Our membership in MI affords us the opportunity to collaborate with other outstanding professional services firms around the world.

FOR FURTHER INFORMATION

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