

Case study in legal project management:

Loeb & Loeb LLP



*A LegalBizDev white paper by Jim Hassett and Jonathan Groner
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Executive summary

According to David Schaefer, the deputy chairman of Loeb & Loeb, “Legal project management (LPM) is a strategic initiative of our firm in that being efficient, transparent, and accountable builds a reputation for delivering value that is essential to building and expanding long-term relationships.”

In March 2013, Loeb & Loeb began a pilot test of LegalBizDev’s one-to-one LPM coaching to determine whether it was an efficient way to change lawyers’ behavior. The results of this successful pilot test convinced the firm to expand the program. By September 2014, a total of 19 lawyers had completed the two-month coaching program, and a number of additional lawyers are planning to begin in the next few months. In the last two years, the firm has also purchased ENGAGE software and expanded the role of several of their business managers to devote more time to supporting LPM.

This white paper summarizes detailed results for five lawyers from four different practice areas – Corporate, Litigation, Finance, and Advanced Media and Technology – in the first phase of implementation.

The case of Loeb & Loeb LLP

“Legal project management (LPM) has become absolutely critical to remain competitive in today’s marketplace,” says Christopher Kelly, deputy chair of the Corporate Practice at Loeb & Loeb, a firm with more than 300 lawyers in Los Angeles, New York, Chicago, Nashville, Washington, DC, Beijing, and Hong Kong. “It saves money, creates budget certainty, and makes clients more comfortable when they see exactly what their legal team is doing to become more efficient.”¹

A large number of firms agree with this philosophy, but the number that have succeeded in changing lawyers’ behavior is much smaller. When ALM Legal Intelligence published a survey of the field, they titled it “Legal Project Management: Much Promise, Many Hurdles.”²

You would not know about the hurdles if you read all the press releases that firms have issued in the last few years announcing their “success” in LPM. But many of those press releases were based on conducting large training programs. When the workshops were over, most participants went back to working just the way they had before. For example, when I recently published a research report based on confidential interviews of 50 AmLaw 200 managing partners and decision makers, one chairperson said, “Every shareholder and top level associate has had a full day of project management training. I’d like to tell you that they use it, but they don’t.”³

¹ Note: Portions of this white paper first appeared in the blog Legal Business Development at www.jimhassett.com

² *ALM Legal Intelligence*, 2012, “Legal Project Management: Much Promise, Many Hurdles.”

³ Jim Hassett, *Client Value and Law Firm Profitability* (LegalBizDev, 2014), 180.

Educating is relatively easy, but changing behavior is very hard. It is also the central problem in legal project management. When the Association of Corporate Counsel and the ABA conducted one of its first meetings on the topic, “Leaders of corporate and law firm litigation departments rolled up their sleeves and tackled the complex issues surrounding present day concepts of value in litigation.” In an *ACC Docket* article summarizing the event, the authors noted that progress will not be based on improved understanding or increased knowledge. Instead, “The challenge is change/behavior management.”⁴ It’s not a question of knowing what to do, it’s a question of getting lawyers to do it.⁵

Changing behavior is exactly what Loeb & Loeb set out to do when it began a pilot test of LegalBizDev’s one-to-one coaching approach, which is built around two months of unlimited coaching. Lawyers begin by selecting an active client or matter, then identifying which of eight key issues in LPM are most critical to meet the lawyer’s near-term goals. Each participant receives a copy of our *Legal Project Management Quick Reference Guide* and is directed to relevant tools, templates, and descriptions of best practices. He or she then selects possible action items, discusses them with our expert, and makes a commitment to act. The coach then follows up to support and monitor progress and adjust tactics based on results.

In March 2013, Loeb & Loeb began a pilot test of this approach with five lawyers, and Christopher Kelly, quoted above, was one of the first participants. He focused primarily on developing spreadsheets for planning and budgeting new matters and started by developing a “Corporate Sell Matter” template which broke down a typical matter into component tasks such as term sheet, due diligence, purchase agreement, and ancillary agreements. Each of these was further divided into sub-tasks, which were listed in the rows of the spreadsheet. To develop a cost estimate, a lawyer could work with a dedicated business manager and fill in columns listing the timekeepers assigned to each sub-task, the estimated number of hours, the standard rate for each timekeeper, and a proposed budget for this deal. This process enables lawyers to experiment with different staffing scenarios to find the best solution to each client’s needs.

Just as importantly, the spreadsheet facilitates the process of defining the scope of the transaction by requiring the attorney to list the assumptions on which these estimates were based.

Working on this list of assumptions and carve-outs in the coaching, Kelly says, “helped me think through the process of how to be both concise and precise with a client at the beginning of each matter.” Coming up with the best list for a particular matter requires significant communication between client and firm and enables both sides to talk through what work is required and what is not. On hourly deals, this leads to a new mutual understanding and rapport that increases the likelihood of new business in the future. And on fixed fees, it leads to much more accurate bids and increases the likelihood of completing high quality work within the original budget.

⁴ Susan Hackett, Barb Dawson and Laura Ariane Miller, “Valuing Litigation: Lessons Learned from Collaboration,” *ACC Docket* (May 2011), 130.

⁵ For more details on the most effective techniques, see Chapter 5, “Case Studies in Behavior Change,” in Jim Hassett’s *Legal Project Management, Pricing, and Alternative Fee Arrangements* (LegalBizDev, 2013).

Of course the best plan in the world is only as good as its execution, and around the same time it started the coaching pilot test, Loeb & Loeb also purchased the software program ENGAGE to help develop initial budgets and then track spending against them. Since then, the Corporate Practice has been building a database of actual experience in past and present deals to increase the accuracy of future estimates. In fact, a few days before we interviewed Kelly for this white paper, he had just won some new business based on an estimate that grew out of this approach.

After Kelly developed the Corporate Sell Matter template, he worked with his team to develop several others including templates for buy-side matters, fund formation, and joint ventures.

Several other lawyers participated in the pilot test coaching program, including Ken Florin, co-chair of the firm's Advanced Media and Technology Practice. When Florin worked with his coach, they spent much of their time focusing on improving client communication to better define the scope at the beginning of a complex international matter that included working with outside counsel from a number of countries.

Florin had volunteered for the program in part because his clients are "increasingly asking for alternatives to hourly billing," and successful alternative fees require both the firm and the client to do more upfront planning. "We needed to spend more time with the client jointly thinking through the stages of the project and how to handle aspects which could increase or decrease the cost."

Many lawyers base their fee estimates on past matters that seem similar, too quickly assuming the price will be about the same. But by digging into the details of a particular matter in advance, they can often identify both opportunities for savings and risk factors that must be controlled to prevent budget overruns.

The LPM process "led to significantly more communication with the client" at the outset, Florin said, and as a result "the original project morphed into something different." He threw away his first proposal, wrote a new one, and got the deal.

Florin said that the general approach he applied in this project will be quite useful going forward: "The basic rules of how you detail the scope based on back and forth communication, and drive towards a fee arrangement that is very clear and transparent, will translate well to future projects."

"The legal business is changing," he concluded, and the increasing use of non-hourly fees is leading to "more of a partnership with clients about how we price matters and how we do our work."

David Schaefer, deputy chair of Loeb & Loeb, summed up the results of the pilot test by saying "LPM is a strategic initiative of the firm in that being efficient, transparent, and accountable builds a reputation for delivering value that is essential to building and expanding long-term relationships."

The initial results convinced the firm to expand the program, and by September 2014, a total of 19 lawyers had completed the two-month coaching program, with more on the way. They have also expanded the role of their internal business managers in LPM, refined their use of ENGAGE software, and even added a section to their firm web site describing Loeb & Loeb's commitment to LPM.⁶

One reason they are still expanding the program is that clients are demanding LPM in increasingly sophisticated ways. According to Andréa Danziger, the firm's director of business development and practice management, "A year or two ago, most clients simply asked whether you used LPM, and it was enough to just say 'we're committed to efficient project management' and explain our tools and resources. These days, clients ask harder questions: 'Show me how you're going to apply LPM, walk me through it.' The attorney who's making a presentation has to really prove that they understand LPM and know how to use it."

Why do clients care about LPM? Deputy Chairman Schaefer says one reason is that "it's clearly of benefit to clients when we provide a high level of certainty that we can work within a budget. For example, we have a significant financial institutions practice where we represent banks and others who make loans and extend credit, and the borrower pays the fees. The ability to come up with a budget and a fee arrangement that is agreed to at the outset has enabled our clients to be more competitive in their marketplace, because borrowers look at the total cost of funding, including legal costs."

Miriam Cohen is a finance partner in Loeb & Loeb's New York office, whose practice primarily involves representing lenders on secured loans. After she completed the standard two-month program with LegalBizDev coach Michelle Stein, she extended it for a third month to maximize results.

The most important advantage of LPM, in Cohen's view, is that it helped her come up with a system to obtain and present information for clients quickly and readily, so that clients understand the entire array of time and budgeting data for a project – based on a single document.

"I can now create this quickly for any client," she says. "Clients just want the bottom-line numbers, and there are so many assumptions that go with the numbers. I just plug in the numbers and I have something that a client can understand. If you don't get them the data fast enough and in this manner, they will give the work to someone else."

Cohen says this applies to existing clients, who, when they need a new project done, will usually obtain three bids – one from Loeb & Loeb and two from competing law firms. Since the borrower typically pays the bill for lender's counsel in these transactions, both the borrower and the lender have an incentive to keep the bill low and to know in advance how much it will be.

The document that Cohen prepares is a budget worksheet that contains all the assumptions regarding the upcoming transaction – staffing, time, complexity, and so on.

⁶ <http://www.loeb.com/aboutloeb-serviceapproach>

“For example, the assumptions I typically make in preparing the document,” Cohen says, “include that borrower’s counsel will be competent and can deliver an appropriate product and that there will be no more than four turn-arounds of the lending documents before they are final.”

In the past, Cohen says, most lawyers made these budgets and assumptions “on the back of a napkin,” but not surprisingly that process didn’t consistently result in accurate estimates.

These days, much of the calculation at Loeb & Loeb is done in the background by Stephanie Flitcroft, a national business manager working out of the firm’s Los Angeles office. When Cohen needs information and budgets based on past experience, Flitcroft and her team use ENGAGE to find the best information and send Cohen the info she needs. Flitcroft prepares the output in Excel, and Cohen uses it in a Word table that lays out the budgeting and task information in a logical fashion. When they win the work, Flitcroft also provides weekly spending reports.

The LPM coaching, Cohen says, “helped me create this document where everything is in one place. Now, no client should be surprised by the bill when they receive it.”

In addition, Cohen says, everyone in her group uses standard task and billing codes now.

“This is a great way to force discipline from my team. I created my own time and billing codes based on the type of work that the team does, and this accurately reflects their time.”

That’s a great example of the value of improved communication, Flitcroft says: “LPM coaching has enabled billing lawyers to have much better communication with both the client and with the timekeepers. The client knows what’s going on in the matter. They feel part of the process, not left out. They have an idea of where fees are going to end up, because we’ve provided them with estimates and monitored spending. And on the other side, with the increased communications between the relationship partner and the timekeepers, tasks and expectations are being relayed more clearly. So you don’t have timekeepers going off and looking under every rock to get an answer.”

For Cohen, LPM has already led to new business as a result of the more systematic approach to engagement letters and the increase in client confidence in budget estimates.

Another example comes from the work of Ross Emmerman, a Chicago-based corporate and M&A lawyer at Loeb & Loeb who was coached by Fred Kinch. Emmerman says that although many attorneys at the firm start out by considering LPM to be just one more thing that management wants them to engage in, Loeb & Loeb’s National Business Manager Flitcroft has “taken the laboring oar” and helped the firm add a great deal to its capacities through the use of LPM. He is in constant touch with Flitcroft and says he uses LPM tools at least twice a week.

Emmerman knows that the firm uses ENGAGE “behind the scenes,” but he works with easier-to-use Excel spreadsheets prepared by Flitcroft.

An example of a typical spreadsheet task list (for a sell-side M&A transaction) appears in the appendix below. Loeb & Loeb has created similar customizable templates for other matters, including a variety of corporate, finance and real estate transactions, and commercial, IP, and

class action litigation. In addition to helping establish and manage budgets, these templates create a consistent approach to gathering data for historical comparison of matters.

From a practice standpoint, the most important aspect of LPM for Emmerman is that his sophisticated clients “understand that changes in scope are inherent in transactions” but that matters still need to be on budget and on time. In comparing an attorney’s role with LPM to a general contractor’s role to a construction project, Emmerman mentioned that no builder would tell a prospective homeowner in advance that a new home would cost anywhere between \$300,000 and \$600,000; that is much too large a range and does not contain any analysis. A home builder would not be expected to have enough data to hit the number on the spot before all the variables were known, but bids would be expected to fall within a much smaller range, such as \$420,000 to \$450,000. In today’s marketplace for legal services, the same is true for predicting legal costs.

The essence, according to Emmerman, is not whether a firm uses Excel or ENGAGE or other software. What matters is the data that a firm retains and how the firm tracks and uses that data to come up with a reasonable advance analysis of the cost of each phase of a project. As a partner, he says, “I am accountable to the client,” and his ability to provide accurate estimates in advance is very helpful to creating and maintaining client relationships.

During the coaching, he not only developed more detailed budgets himself, but he also sent out budget hours by task to the team members at the start of matters to get their input and buy-in. In the future, he expects that the team members will become accustomed to this process and may even be called upon to set the initial budgeted cost and time estimates.

Back in the old days, he says, lawyers simply did this by the seat of their pants, and no one knew where you were going with the deal or its costs. That is no longer acceptable. One of the reasons that better budgeting was not possible years ago was that firms did not retain their data for this purpose, or kept their data in a “big lump,” with no effective way of breaking it down. Now Loeb & Loeb and other leading firms retain their data in a form that can be broken up into pieces as needed. They can then use the data “quickly and intelligently.”

Emmerman joined Loeb & Loeb in March 2013, and in his previous firm he had received LPM training. But LegalBizDev’s coaching was able to take him “from theory to practice.”

Danziger noted that a number of people who went through the program had similar experiences: “Once they started working with a coach, they realized right away, ‘I’ve been doing LPM all along.’ But now it’s more methodical and sophisticated, supported by new resources, including business managers, budgeting software, and the various reports that we run. That makes lawyers much more confident to explain to clients how they will use LPM to manage a matter within budget and communicate effectively about mutual expectations.”

Livia Kiser is a Chicago-based partner at Loeb & Loeb who represents defendants in consumer class actions, primarily those that relate to claims by consumers of a defect or a false claim about a product. She also reviews product advertising in advance to counsel clients on their advertising and what is likely to be a “red flag” for plaintiffs’ counsel.

Her LPM coaching, with Michelle Stein, focused on the litigation side of her practice.

“This training has made me more cognizant of how to create and implement a realistic budget on every matter, even one that can seem historically hard to quantify or to control, such as a class action brought by a plaintiff,” Kiser says. “Even for cases which are hard to predict, I have learned how to provide more accurate budgets, not only because it is important for internal business reasons, but because these days clients understandably expect it.... I am very interested in strategies for how we can stick to a budget. Will this particular task really take 10 hours? Should we budget it for that amount of time? These are the kinds of questions LPM causes you to consider.”

Kiser says that as a partner and lead counsel, she is also required to get involved in planning the time of other attorneys such as associates. She says many associates don’t think about these issues until they become partners. When the issues become relevant to them, they’re not prepared. LPM, Kiser says, is not only about numbers and budgets; it’s about human beings.

Kiser uses Excel to prepare budget documents – just garden-variety Excel that she’s already familiar with. She receives weekly updates on her projects from Stephanie Flitcroft and also speaks with Flitcroft at least once a week, if not more often.

Flitcroft reports that “We provide many ad hoc reports so that lawyers can compare budgets to actuals along the way. If there is a variance, they can determine if it was caused by a change of scope or whether some timekeeper simply didn’t understand the requested task. This allows them to deal with issues before they get too far off course.”

Kiser says Flitcroft and her team are involved both in ongoing client matters and in pitching new matters. They are also extremely helpful in working on alternative fee arrangements (AFAs). “We cost out all the scenarios that make sense before we propose an AFA,” Kiser says, “and Flitcroft helps provide the assumptions and ideas that we need.”

The more lawyers take this approach, the easier it gets. As Danziger explained, “We endeavor to share the actual tools and templates that have come out of the coaching program, as well as others that we’ve developed for proposal bids. This has been a grass roots effort. We’ve tripled the number of people in the program since you first wrote about it, and we want to keep going, because the more lawyers incorporate LPM into their matters, the more the ideas spread.”

What does the future hold? Deputy Chairman Schaefer believes that “legal project management is going to become one of the core business skills of running a law firm. Even in situations where we still bill hourly, every client wants to know: ‘How much is this going to cost? How long is it going to take? What’s involved?’ It may take a few years, but it will become part and parcel of how we do business. Lawyers will be comfortable having those discussions. They will expect it. And I think that you’ll see an increasing growth within our firm, and other firms, of non-legal professionals who will take a bigger and bigger portion of these tasks under their wing.”

Schaefer has also seen that the benefits of LPM go not just to clients, but also directly to the firm’s bottom line: “LPM has already protected our profitability in very significant ways. These days, lawyers are more prepared to provide accurate bids. We have better data and more reliable

information. In the past, when we looked at a class of cases or of deals and there was a fairly significant range between the high and the low, we really didn't know why we had such a wide spread. Now we understand what the key considerations are. We can look for those at the outset of a matter and try to address that with the client, rather than letting it catch everybody by surprise. And so I think that LPM has made our processes much, much better.”

Appendix: Loeb & Loeb's task list for a sell-side M&A transaction

F71 Pre-Acquisition

F71-01 Pre-Acquisition

- Assemble Team

- Retain and negotiate engagement agreements for consultants and experts

- Structure transaction and analyze tax issues

- Prepare organizational chart

F72 Term Sheet/Letter of Intent

F72-01 Term Sheet/Letter of Intent

- Term Sheet/Letter of Intent

F73 Due Diligence

F73-01 Due Diligence

- Draft and negotiate confidentiality agreements

- Review organizational documents

- Review material agreements and correspondence

- Review intellectual property documentation

- Review consent requirements

- Review industry specific statutes, regulations and applicable law

- Review corporate statutes and applicable law

F75 Purchase Agreement

F75-01 Purchase Agreement

- Review and negotiate Purchase Agreement

F78 Ancillary Agreements (as applicable)

F78-01 Ancillary Agreements (as applicable)

- Review Employment Agreements

- Review Noncompetition Agreements

- Review Escrow Agreement

- Review Bill of Sale and Assignment and Assumption Agreement

- Review Assignments of Copyrights, Trademarks and Patents

- Review Promissory Note(s)

- Draft and review Opinion of Counsel to Seller

- Review Opinion of Counsel to Buyer

- Draft Indemnification Contribution Agreement

- Other Agreements

F79 Disclosure Schedules

F79-01 Disclosure Schedules

- Disclosure Schedules

F80 Consents and Notices (as applicable)

F80-01 Consents and Notices (as applicable)

- Third party consents
- Government regulatory consent
- Board consent
- Shareholder consent
- Notice of Appraisal Rights
- F81 Filings (as applicable)
 - F81-01 Filings (as applicable)
 - SEC
 - State/Blue Sky Filings
 - Special Regulatory Filings
 - Antitrust filings and notifications
 - Press Release
 - Qualification to business
 - Articles/Certificate of Merger
- F82 Closing
 - F82-01 Closing of Transaction
 - Closing of Transaction
- F83 Post Closing
 - F83-01 Post Closing
 - Post Closing

About the authors of this white paper



Jim Hassett is the founder of LegalBizDev, which helps law firms increase profitability by improving project management, business development, and alternative fees. Before he started working with lawyers, Jim had 20 years of experience as a sales trainer and consultant to companies from American Express to Zurich Financial Services. He is the author of 13 books, including *The Legal Project Management Quick Reference Guide*, *The Legal Business Development Quick Reference Guide*, *Client Value and Law Firm Profitability* and *Legal Project Management, Pricing and Alternative Fee Arrangements*. He has also published more than 80 articles in the *New York Times Magazine*, *Of Counsel*, *Legal Management*, *Strategies: The Journal of Legal Marketing* and other publications. Jim is a frequent speaker at law firms and at bar associations (including the New York City Bar, the New York State Bar, and the Massachusetts Bar), Harvard Law School, the Association of Corporate Counsel, the Defense Research Institute, the Ark Group, and at Legal Marketing Association meetings in Boston, New York, Philadelphia, Washington, Savannah, and Vancouver. He has conducted webinars through West LegalEdcenter, the National Law Journal, The International Lawyers Network, TAG Academy, and the Legal Marketing Association. Jim writes the blog Legal Business Development which was featured at the ABA TECHSHOW in 2009 and again in 2010 (in its list of “60 Sites: Latest and Greatest Internet Hits”) and by TechnoLawyer (in its list of “the most influential legal blogs” in BlawgWorld). He received his Ph.D. in psychology from Harvard University.



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About LegalBizDev

LegalBizDev helps law firms increase client satisfaction and profitability by improving project management and business development.

While many competitors offer educational programs in these important areas, only LegalBizDev has developed proprietary processes to help lawyers change their behavior. The company was founded 29 years ago by Jim Hassett after he earned his Ph.D. in Psychology at Harvard. Dr. Hassett is now a frequent speaker at legal conferences and the author of widely used *Quick Reference Guides* for both legal project management and legal business development.

LegalBizDev offers coaching, webinars, workshops, retreats, train the trainer programs, publications, and more to help each lawyer identify the action items that are most likely to produce immediate and practical results for their practice, their personality, and their schedule. Our behavior change processes help lawyers to make the best use of their limited time by quickly building on best practices from other law firms and other professions.

Through a strategic alliance with Altman Weil, we also offer clients a broad range of management consulting services in related areas, including strategic planning, practice group management, client surveys and custom benchmarking, lawyer compensation systems, marketing strategy, and much more.

LegalBizDev has developed and delivered award winning training since 1985. For more information, visit our web page at www.legalbizdev.com or contact us today to discuss the best way to meet your unique needs.



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