

# Matter Budgets Matter: A Case Study You Can Take to the Bank

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All lawyers, whether in small or large firms, are feeling the pressures of client demands to control costs. Most lawyers are more than willing to provide the client with their best guess of the potential cost of a matter. “Back-of-the-napkin” estimates are risky because they are rarely qualified as to scope, assumptions or risks. Even if a more detailed estimate is prepared, it might be based on a matter that is not comparable, or the task of preparing the estimate might be delegated to a less experienced team member. The risk to the firm is compounded if the client, especially non-lawyers, interpret the estimate as a comprehensive cost.

Estimates and budgeting present a unique opportunity to educate your internal team on a proper budgeting approach and how budgets can be a tool to improve service delivery for the client. The following case study demonstrates how investing in the development of a reliable budget estimate can accomplish these objectives and dramatically improve client trust, increase client satisfaction and lead to additional work.

## Steps Toward a Budgeting Process

A corporate client’s legal department approached us with a new mandate: All litigation matters must have a detailed budget — immediately. The initiative was designed to provide another level of transparency and, ultimately, control costs. We were faced with implementing a new matter onboarding process that would affect attorneys across the firm in a very short timeline. The following steps had to be accomplished quickly:

- 1 Develop a budget template and tool that would standardize and estimate fees for a range of matters handled for the client
- 2 Obtain consensus from attorneys who worked for the client across multiple offices
- 3 Develop a consistent process for matter evaluation, estimation and communication to the client

## Step 1: Develop a Template and Framework

In 2012, our firm adopted the UTBMS phase and task codes, which provide high-quality data to assist in benchmarking our budget estimates. However, we had to distill the data into a format that could be used by our lawyers as a starting point. We developed nine matter types that would be used to identify budget standards within the client’s new mandate. As we analyzed the underlying data, we focused on the duration of the matter, the mix of timekeepers, the cost per matter and the distribution of time across phase/task codes for all of the covered jurisdictions. What we identified provided the key components of information that enabled us to more deeply understand the reason for the client’s mandate.

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Over a two-year period, the data demonstrated that we had an opportunity to improve the management of the client's cases across jurisdictions. The data showed us the client's per-matter spend was less systematic, less data-driven and more heavily skewed toward the experience of the individual lawyer and the team members who were available to manage the work. Although the firm produced outstanding outcomes for the client, the firm's spend was affected by variations in the mix of timekeepers per matter, the time to complete similar tasks, team makeup (which was based on availability rather than optimization) and efficiency.

As we dug deeper into the data, we also discovered that some team leads were not good business managers of their cases; *i.e.*, they had a high number of timekeepers that resulted in multiple associates and junior shareholders appearing on the matter. Our response to the client's budgeting exercise created an opportunity to not only meet the client's goal, but to also improve the consistency in our internal management of the client's matters.

The client team engaged the firm's legal project management office (LPMO). The LPMO had been working with the team on a process improvement

assessment for one of the matter types covered by the client's request. The assessment identified the optimal workflow for the matter, a reasonable timeline for delivery, areas of waste that could be improved with training and a model for consistent implementation. The streamlined workflow that resulted from this exercise became the foundation for the development of the nine matter types.

To meet the challenges of quickly developing reliable budget estimates and statements of work, a special work action team (SWAT) was formed, which included lawyers who were legal project managers (LPMs) from the LPMO, the managing director of the practice group and one of the lead attorneys for the client. We used the firm's historical data to develop a budget representative of the average matter in each of the nine matter types. The SWAT developed initial budget templates that included phase, task, subtask, assigned resource, estimate of time, rate and total spend per subtask. The SWAT then made adjustments to resources, subtasks and time estimates based on working sessions with the lead attorneys.

The end product was nine budget templates for the services provided to the client across multiple offices and jurisdictions. The scope of the budgets was clarified with statements of work that included scope statements and itemization of general assumptions and risks typically encountered in the cases.

### **Step 2: Obtain Consensus**

Due to the traditionally autonomous nature of how attorneys are trained and operate in the delivery of legal services, the SWAT faced a significant challenge in obtaining consensus from the individual teams of attorneys and paralegals on the budget estimates and statements of work. This was accomplished through something simple: communication. Through the leadership of the practice group chair, the budgets were shared with the lawyer teams and altered to incorporate nuances of particular state laws. This process ensured the templates took into account the unique challenges faced by attorneys in different jurisdictions, and, more important, the process served as a communication vehicle for what the client would expect in the future management of its cases. We officially had buy-in!



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**Step 3: Develop a Consistent Process**

Once the templates were finalized, the next step was to outline a consistent process for using the templates for each new matter and communicating changes to the client through their matter management system. The SWAT evaluated the standard onboarding process for new matters and identified the points at which the budget templates would be prepared, modified and then routed for approval. Due to the time constraints imposed by the client, the new workflow had to occur within 48 to 72 hours of matter assignment. The SWAT accomplished this objective and developed a comprehensive process map to help educate the client team on the new workflow.

The budgets, statements of work and budget approval framework were all incorporated into a team training program. The training program is being conducted on a quarterly to semi-annual basis to keep the concept of controls and efficiency fresh in the minds of the team. This will also afford us the opportunity to present data and best practices, which creates a continuous feedback loop.

In addition to accomplishing the client's goals, the firm developed a model that will provide consistent results and spend across offices. Our initial results indicate that we have improved the firm's key performance indicators with the client, while also reducing write-offs and write-downs for these matters.

**Proactively Evaluate and Improve**

This approach required an investment of time by both the firm's lawyers and administrative personnel. This investment, however, will yield dividends in the form of improved service delivery, reduced write-offs and write-downs, client resiliency and the opportunity for expanded business with the client.

This client-driven initiative has laid the foundation for a repeatable and scalable framework that can be implemented for other teams to proactively improve performance metrics with clients. It has also taught us that more clients are making use of phase and task billing data to measure and compare firm performance, and it is only a matter of time before clients use this information to weed out underperforming firms or demand improvements. Firms should proactively evaluate and improve their performance before being asked to do so by the client. **ILTA**



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